

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

APR 30  
2012



QUARTERLY REPORT TO THE UNITED STATES CONGRESS



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**Cover Captions (clockwise from the left):**

**An Afghan miner** unloads coal outside a mine in Samangan province on April 3. Experts estimate the value of the nation's mineral resources at \$1 trillion. A key reconstruction goal is to improve Afghanistan's ability to exploit these resources and to attract foreign investment. (© AFP 2012, Qais Usyan)

**Farmers spread soil** on a field in Nahr-i in Kunduz province on March 30. After a particularly severe winter, USAID continued to help distribute food to the most vulnerable Afghans. The World Food Programme estimates that 7.6 million Afghans will need food assistance this year—more than a third of the population. (© AFP 2012, Johannes Eisele)

**An Afghan schoolboy** washes his face at a water-pump in Mazar-e Sharif in Balkh province on April 9. Last quarter, Afghans assumed responsibility for security in this city. This quarter, the transition to Afghan control continued in many other districts and cities throughout the country. (© AFP 2012, Qais Usyan)

**Unaccompanied Afghan women** walk along a road in Bazarak in Panjshir province on April 7. The status of women has improved dramatically since the overthrow of the Taliban, who denied them the right to work, vote, be educated, receive medical care, and walk in public without a male escort. This quarter, Secretary of State Clinton reaffirmed the U.S. commitment to maintaining this progress. (© AFP 2012, Johannes Eisele)



Special Inspector General for  
Afghanistan Reconstruction

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**The National Defense Authorization Act for FY 2008 (P.L. 110-181)  
established the Special Inspector General for Afghanistan  
Reconstruction (SIGAR).**

SIGAR's oversight mission, as defined by the legislation, is to provide for the independent and objective

- conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
- leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations, and to prevent and detect waste, fraud, and abuse in such programs and operations.
- means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operation and the necessity for and progress on corrective action.

Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Source: P.L. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

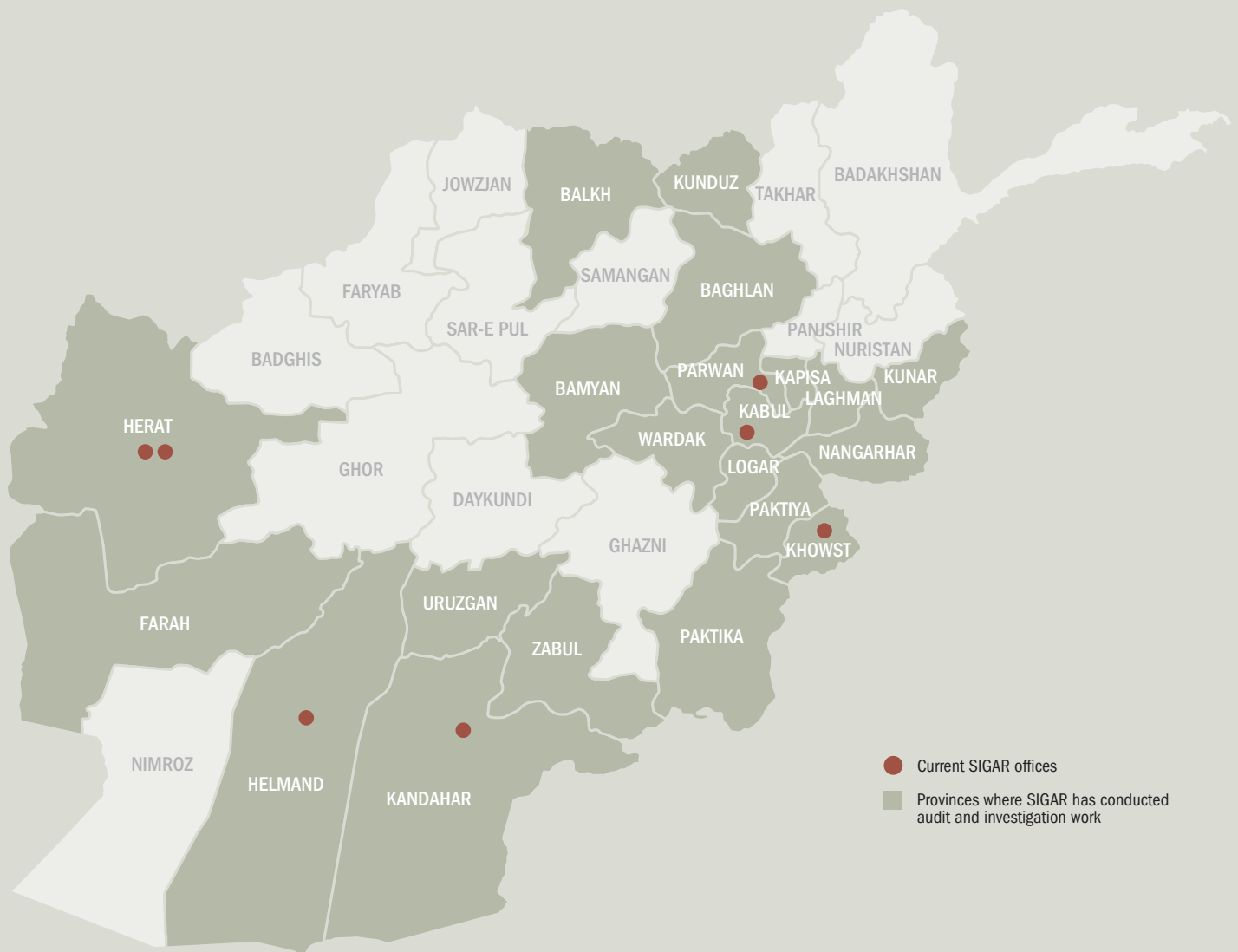
# SIGAR RESULTS TO DATE

## AUDITS

- 56 reports completed, 12 audits ongoing
- 177 recommendations made
- up to \$259.9 million identified in funds that should be returned to the U.S. government
- 3 forensic audits under way of \$39 billion in reconstruction funds managed by DoD, DoS, and USAID
- 4 ongoing inspections

## INVESTIGATIONS

- \$52.9 million recovered
- approximately \$131 million in contract monies protected
- 164 ongoing investigations
- 20 convictions, 20 arrests, 10 charges
- 88 referrals for suspension or debarment, resulting in 21 finalized debarments and 20 suspensions
- 781 Hotline complaints received





SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION

April 30, 2012

I am pleased to submit SIGAR's quarterly report to the Congress on U.S. reconstruction in Afghanistan. Over the last quarter, several troubling incidents strained U.S.-Afghan relations and hampered reconstruction. Going forward, two developments will have a direct impact on the reconstruction effort: the President's reduced budget request for FY 2013 and the transition of private security services to the new Afghan Public Protection Force (APPF).

The President has requested approximately \$9.7 billion for reconstruction programs in FY 2013. This request represents a 34% reduction from the \$14.8 billion that the Congress provided in FY 2012 and reflects a change in U.S. priorities, principally in the security sector. The President has requested about \$5.7 billion to support the Afghan security forces in FY 2013, compared with \$11.2 billion appropriated in FY 2012. This 49% decrease signals a major shift from building infrastructure and providing equipment for the Afghan security forces to sustaining these forces through the 2014 transition. If approved, the President's request will bring the total appropriated for Afghanistan's reconstruction since 2002 to approximately \$100 billion.

The APPF, a state-owned enterprise established by the Afghan government to replace private security companies, began assuming responsibility for providing security for development projects during this reporting period. On March 29, I testified before the Congress about SIGAR's ongoing audit work, which has identified a number of concerns about the transition to the APPF, including the potential for rising costs and the possible disruption or termination of reconstruction projects if the APPF cannot provide the required security.

In addition to these developments, corruption remains a major threat to the reconstruction effort. During my visit to Kabul this quarter, I met with U.S. and Afghan officials to discuss and assess their anti-corruption efforts. I also shared with them SIGAR's work to combat corruption: nearly 30% of our investigations involve public corruption and bribery. This quarter, our investigators partnered with other federal and Afghan law enforcement agents to recover \$446,000 in stolen fuel and \$175,000 in cash in cases involving Afghan attempts to bribe U.S. officials. In addition, three individuals who had been convicted of bribery were sentenced to prison terms and ordered to pay fines and restitutions totaling \$269,000. The three had been arrested and charged in cases in which SIGAR participated.

Also this quarter, SIGAR investigations resulted in the termination for default or voiding of five contracts, protecting \$131 million in unspent funds. In addition, SIGAR issued seven referrals for the suspension or debarment of individuals and companies for illegal activities or poor performance.

Our Audits Directorate continues to identify issues of significant concern. This quarter, SIGAR completed three audits, including one that found problems with USAID's implementation of its stabilization programs. Our auditors also continued to advance an oversight community initiative to develop a strategic framework for audits and inspections in FY 2013.

Afghan reconstruction has reached a critical turning point. The shift in strategy, decline in funding, and persistent violence and corruption underscore the need for aggressive oversight. SIGAR remains committed to fulfilling its oversight responsibilities and keeping the Congress and the U.S. public fully informed about the status of this historic effort.

Very respectfully,

A handwritten signature in black ink, appearing to read "Steven J. Trent", is written over a horizontal line.

Steven J Trent

Acting Special Inspector General for Afghanistan Reconstruction



# EXECUTIVE SUMMARY

## SIGAR ACTIVITIES Q2, FY 2012

**This quarter, SIGAR participated in investigations that led to five contracts with \$131 million in unspent funds being terminated for default or voided; recovered \$446,000 in stolen fuel; seized \$175,000 in illicit cash; and helped disrupt a bribery scheme at the U.S. Embassy Kabul. Three individuals who had been convicted of bribery last quarter were sentenced to prison terms and ordered to pay fines and restitutions totaling \$269,000. SIGAR participated in the investigations that led to their arrests and convictions. In addition, SIGAR issued a management alert letter and testified before the Congress about the potential for rising security costs as private security contracts are transitioned to the Afghan Public Protection Force (APPF). Since SIGAR's last report to the Congress, it has published three audit reports and announced three new audits.**

### **ALERT LETTER TO USAID**

In March, SIGAR sent a letter to the U.S. Agency for International Development (USAID) detailing SIGAR's concerns that the imminent transition from private security companies (PSCs) to the state-owned APPF is likely to increase security costs significantly and to put 10 major reconstruction projects at risk if the APPF proves unable to provide the required security.

### **CONGRESSIONAL TESTIMONY**

The House Subcommittee on National Security, Homeland Defense, and Foreign Operations invited SIGAR's Acting Inspector General, Steven Trent, to testify about how the dissolution of PSCs would affect USAID projects. Mr. Trent noted that the Afghan decision to disband PSCs will affect all U.S. and international reconstruction programs. Under the original two-year transition strategy, the APPF was expected to provide security for all development projects and convoys by March 20, 2012, and for all military construction sites and bases by March 2013. Mr. Trent emphasized that SIGAR is primarily concerned about increased costs and potential disruption of reconstruction projects.

### **STRATEGIC PLANNING GROUP IDENTIFIES 13 AUDIT PRIORITIES**

This quarter, SIGAR and the Offices of Inspector General (OIGs) of the Department of Defense, the Department of State, and USAID signed a charter formalizing the new Strategic Planning Group. The group is developing a strategic oversight framework to guide audit and inspection planning. It has identified 13 overarching issues that will be the focus of FY 2013 audits and inspections related to reconstruction in Afghanistan.

### **AUDITS**

This quarter, SIGAR completed three audit reports. One examined the steps that the U.S. Central Command's Joint Theater Support Contracting Command (C-JTSCC) has taken to improve the accuracy of its contract data. The audit examined the discrepancies in C-JTSCC's data to determine how they occurred, evaluated the measures C-JTSCC had taken to address the cause of these discrepancies, and identified what additional steps, if any, C-JTSCC needs to take to ensure that contract data is accurate and reliable. Another audit assessed the cost and outcomes of the Local Governance and Community Development project and evaluated USAID's oversight of the project. The third audit identified the awards that USAID has funded for Afghanistan reconstruction

# EXECUTIVE SUMMARY

since 2002 and assessed the status of the agency's financial oversight of its contracts, cooperative agreements, and financial instruments.

This quarter, SIGAR announced three new audits, two assessing aspects of the U.S. effort to build the Afghan security forces, and one examining a USAID agriculture project.

## INVESTIGATIONS

During this reporting period, SIGAR's integrated approach to detecting and deterring waste, fraud, and abuse of U.S. reconstruction funds paid dividends in three critical areas: protecting U.S. tax dollars from being wasted, recovering stolen property, and building cases for criminal prosecution.

SIGAR is conducting two programs to protect U.S. funds from being wasted. In one, SIGAR investigators are working closely with contracting officials to terminate or void contracts that are at risk of wasting significant public funds. In the other, SIGAR's suspensions and debarment program seeks to improve contractor accountability and to ensure that only responsible and reliable companies receive U.S.-funded reconstruction contracts.

This quarter, SIGAR opened 45 new investigations and closed 7, bringing the number of open investigations to 164. SIGAR works all investigations jointly with the International Contract Corruption Task Force. SIGAR is the lead agency on 36 of the new cases (80%).

### **SIGAR Initiative Identifies Poorly Performing Contracts**

This quarter, SIGAR investigations led to five contracts being terminated for default or voided. These contracts had unspent funds totaling \$131 million. Contracting officials voided an \$80 million trucking contract after investigators provided information indicating that the Afghan-owned company that had been awarded this contract was closely affiliated with another transport company that U.S. officials had

deemed ineligible to receive such contracts. In addition, the U.S. Army Corps of Engineers terminated for default three construction contracts to build facilities for the Afghan security forces. These contracts had unexpended funds totaling \$51 million.

### **Suspensions and Debarments**

This quarter, SIGAR referred 7 cases for suspension or debarment, bringing the number of referrals to 88, as of March 31, 2012. This includes 53 individuals and 35 companies working on U.S.-funded reconstruction programs. As of December 31, 2011, these referrals had resulted in 21 suspensions, 45 proposals for debarment, and 5 finalized debarments. During this reporting period, SIGAR also prepared documentary support for proposals to debar companies accused of theft or poor performance under the Host Nation Trucking Contract, from May 2009 to September 2011 for the shipment of fuel and bulk cargo throughout Afghanistan.

### **Cash Seizures and Recoveries**

SIGAR's collaboration with other federal agents and Afghan law enforcement officials led to the seizure of \$175,000 in cash, the recovery of more than \$446,000 in stolen fuel, and the repossession of a stolen tanker. Because the U.S. reconstruction effort relies on U.S.-funded imports of petroleum products, SIGAR is working closely with other federal investigative agencies to detect pilfering. SIGAR is also working with federal prosecutors assigned to the Department of Justice to build criminal cases against individuals and companies stealing fuel.

### **Three U.S. Citizens Receive Sentences for Bribery**

This quarter, three individuals were sentenced to prison terms and ordered to pay fines and restitution totaling \$269,000 for the crime of bribery in Afghanistan. The three had previously been arrested and charged in cases in which SIGAR participated.



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### **The Relationship Remains Strong**

ISAF Commander Gen. John R. Allen meets with ANA Maj. Hanifullah Shinwari at Forward Operating Base Marjah in Helmand during a mission to Regional Command - Southwest on March 5. (U.S. Army photo, MSG Kap Kim)

# 1 AFGHANISTAN OVERVIEW



“Now, each of these events is heart wrenching, and my thoughts and my prayers go out to all of those affected by this violence, coalition and Afghan alike. But I assure you the relationship between the coalition and our Afghan security forces remains strong.”

—*General John Allen,  
Commander, ISAF*

Source: Gen. John Allen, Testimony before the House Committee on Armed Services, 3/20/2012.

## AFGHANISTAN OVERVIEW

During this quarter, which U.S. officials described as “tumultuous” and “trying,” a series of unfortunate incidents jeopardized the already strained U.S.-Afghan relationship and hampered the U.S reconstruction effort.<sup>1</sup> These events—the Koran burning, widespread protests, the massacre of Afghan citizens, the killing of coalition soldiers by members of the Afghan National Security Forces (ANSF), and multiple attacks by the insurgents on April 15—left U.S. and Afghan officials struggling to keep transition plans on track. Other significant developments this quarter included the following:

- The President submitted his FY 2013 budget request, which was about 34% less than the FY 2012 appropriation for reconstruction funding for Afghanistan.
- The new Afghan Public Protection Force (APPF) began assuming responsibility for private security of development projects.
- International Security Assistance Forces (ISAF) Commander General Allen provided an update to the Congress on transition progress.
- Command of Task Force 2010 changed.
- The United States and its coalition partners prepared for the upcoming NATO summit that will establish a framework for the Alliance’s commitment to Afghanistan through the 2014 transition and beyond.

### THE PRESIDENT REQUESTS \$9.7 BILLION FOR RECONSTRUCTION IN FY 2013

On February 13, 2012, President Obama submitted his FY 2013 budget to the Congress, requesting about \$12 billion to rebuild Afghanistan, including \$9.7 billion for the major reconstruction funds and \$3.3 billion for civilian operations. The budget divides the \$9.7 billion among funds managed by the Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID) to strengthen the Afghan National Security Forces (ANSF), improve Afghan governing capacity, and promote economic and social development. This request is 44% less than the \$17.4 billion the President requested for these funds for FY 2012, and about 34% less than the estimated \$14.8 billion the Congress appropriated for these funds this fiscal year. The decline reflects a major shift in U.S. reconstruction priorities in Afghanistan as the U.S. government refocuses its resources on transitioning from a military to civilian-led mission by 2014.



# AFGHANISTAN OVERVIEW

## SIGAR AUDIT

In its audit of the U.S. civilian uplift, SIGAR found that from January through June 2011, U.S. agencies had more than tripled the number of civilians deployed to Afghanistan, at a cost of nearly \$2 billion. For details, see SIGAR Audit 11-17, “The U.S. Civilian Uplift in Afghanistan Has Cost Nearly \$2 Billion, and State Should Continue to Strengthen its Management and Oversight of the Funds Transferred to Other Agencies,” which is available at the SIGAR website ([www.sigar.mil](http://www.sigar.mil)).

As of March 31, 2012, the Congress had appropriated \$89.4 billion to rebuild Afghanistan, including civilian operating costs. If the President’s budget is approved, it would bring the amount appropriated since 2002 to more than \$100 billion.

In his submission to the Congress, the President said that the budget would continue to support the ANSF as they increasingly take responsibility for security in Afghanistan. It would also lay the “groundwork to expand the civilian footprint in Afghanistan as U.S. forces draw down and focus civilian assistance on foundational investments in economic growth, reconciliation and reintegration, and capacity building.”<sup>2</sup>

In FY 2012, more than 77% of reconstruction funding—\$11.2 billion—has been used to recruit, train, equip, and sustain the ANSF. Under the proposed FY 2013 budget, funding for the ANSF would drop 49% to \$5.7 billion; this accounts for most of the decline in the budget request for Afghanistan’s reconstruction. In the security sector, the budget signals a shift from building the Afghan security forces to sustaining them.

To support short-term stabilization and long-term development programs, the President requested more than \$1.8 billion—only slightly less than the estimated \$1.9 billion provided in FY 2012. At the same time, the President’s budget would maintain other reconstruction funds at the same or slightly higher levels than the FY 2012 appropriations: the Commander’s Emergency Response Program (CERP), Afghanistan Infrastructure Fund (AIF), Task Force for Business and Stability Operations (TFBSO), DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund, and International Narcotics Control and Law Enforcement (INCLE) account.

As in FY 2012, the Administration divided its FY 2013 international affairs budget into two parts: a core budget that reflected “enduring” or “base” needs, and an Overseas Contingency Operations (OCO) budget that combined extraordinary, temporary costs in Iraq, Afghanistan, and Pakistan. For the second year, the President has provided a unified OCO budget that amalgamates the requests for the operations and activities of DoD, DoS, and USAID in these conflict areas. The OCO budget aligns priority missions across these agencies, including the U.S. reconstruction of Afghanistan.<sup>3</sup>

Of the \$1.8 billion that the President is requesting for the Economic Support Fund (ESF), about \$1 billion is for the ESF (OCO) budget, and \$811 million is for the ESF (base) budget. In its budget justification, DoS said that the ESF (OCO) funds “will support programs linked to stabilization needs, foundational investments in critical sectors, and capacity building essential for a sustainable transition of security and governance to the government of Afghanistan.”<sup>4</sup> The base portion of the ESF request will support programs critical to Afghanistan’s long-term development: economic growth, agriculture, health, education, rule of law, and governance.<sup>5</sup> Secretary of State Hillary Clinton told the Senate Foreign Relations Committee that the President’s budget “will support the ongoing transition helping Afghans take responsibility for their own security and their own future and ensuring that this country is never again a safe haven for terrorists.”<sup>6</sup> Table 1.1 compares the FY 2012 appropriations and the FY 2013 budget requests, including enduring and OCO funds, for the major reconstruction programs.

# AFGHANISTAN OVERVIEW

TABLE 1.1

FY 2012 APPROPRIATIONS AND FY 2013 BUDGET REQUESTS			
	FY 2012 Enacted (\$ Millions)	FY 2013 Request (\$ Millions)	Change (%)
<b>DoD</b>			
ASFF	11,200.0	5,749.2	-48.6
AIF	400.0	400.0	0.0
CERP	400.0	425.0	+6.3
DoD CN	381.5	405.4	+6.3
DoD CN (OCO)	325.3	378.9	
DoD CN (Base)	56.2	26.5	
TFBSO	150.0 <sup>a</sup>	179.0	+19.3
<b>DoS/USAID</b>			
ESF	1,836.8	1,849.3	+0.7
ESF (OCO)	1,836.8	1,037.9	
ESF (Base)	0.0	811.4	
INCLE	324.0	600.0	+85.2
INCLE (OCO)	324.0	200.0	
INCLE (Base)	0.0	400.0	
MRA	81.0	65.0	-19.8
MRA (OCO)	20.0	0.0	
MRA (Base)	61.0	65.0	
ECE	7.4	8.0	+8.1
ECE (OCO)	7.4	0	
ECE (Base)	0.0	8.0	
BBG	18.4	17.6	-4.3
BBG (OCO)	2.2	0.0	
BBG (Base)	16.2	17.6	
<b>Total</b>	<b>14,799.1</b>	<b>9,698.5</b>	<b>-34.5</b>

Notes: Numbers affected by rounding. DoD = Department of Defense. ASFF = Afghanistan Security Forces Fund. AIF = Afghanistan Infrastructure Fund. CERP = Commander's Emergency Response Program. DoD CN = Department of Defense Counter-Narcotics. OCO = Overseas Contingency Operations. TFBSO = Task Force for Business and Stability Operations. DoS = Department of State. USAID = U.S. Agency for International Development. ESF = Economic Support Fund. INCLE = International Narcotics Control and Law Enforcement. MRA = Migration and Refugee Assistance. ECE = Education and Cultural Exchange. BBG = Broadcasting Board of Governors.

a. Excludes "Operations and Maintenance, Army" funds, which are included in TFBSO figures in "Status of Funds" and Appendix B.

Source: OMB, response to SIGAR data call, 4/17/2012.

## SIGAR NOTES CONCERNS ABOUT THE AFGHAN PUBLIC PROTECTION FORCE

This quarter, the APPF, a state-owned enterprise established by the Afghan government to replace PSCs, began assuming responsibility for providing security for reconstruction programs. Under a two-year "bridging strategy," the Afghan government planned for the APPF to take over security for all international development projects and convoys on March 20, 2012, and for all military construction sites and bases a year later. On March 18, the Afghan government announced that it had granted 30- to 90-day provisional licenses to some implementing partners to give them time to finalize contracts with the APPF.

# AFGHANISTAN OVERVIEW

SIGAR has completed three audits related to PSCs and is conducting an audit of the costs of PSCs used by USAID's implementing partners. On March 9, with the transition deadline looming, SIGAR alerted USAID to issues raised by its ongoing audit. SIGAR is primarily concerned about increased costs and the possible disruption or termination of reconstruction projects if the APPF cannot provide the necessary security. (For details on SIGAR's management alert letter, see Section 2.)

On March 29, 2012, SIGAR's Acting Inspector General (IG) testified before the House Committee on Oversight and Government Reform's Subcommittee on National Security, Homeland Defense, and Foreign Operations about the potential impact on reconstruction of the Afghan government's decision to dissolve all PSCs and transfer their responsibilities to the APPF. Although the hearing focused on the immediate effect of the transition on USAID, the largest single funder of development projects in Afghanistan, SIGAR pointed out that the Afghan government's decision to disband PSCs will ultimately affect all U.S. and international reconstruction programs. For the full testimony, see the SIGAR website ([www.sigar.mil](http://www.sigar.mil)).

## Building the APPF

After President Hamid Karzai issued a decree ordering the dissolution of all domestic and foreign PSCs, the international community and the Afghan government developed a strategy to build the new APPF and transition private security functions to it over two years. In March 2011, an APPF Advisory Group was tasked to support the development of the APPF. The group consisted of 130 advisors and 40 translators from the NATO Training Mission - Afghanistan (NTM-A) and the Combined Security Transition Command - Afghanistan (CSTC-A), DoS, USAID, the Department of Justice, and several other U.S. government agencies. The "bridging strategy" also called for a team of officials from the Afghan Ministry of Interior, ISAF, and the U.S. Embassy Kabul to conduct assessments after six months and every three months thereafter to determine whether the APPF has the capability to provide the necessary security services as the transition progresses.

The six-month assessment, which was completed in September 2011, raised significant questions about the APPF's ability to provide the necessary security for reconstruction projects. A second joint Afghan and U.S. government assessment was conducted in December 2011, but its findings have not been released. A third assessment was supposed to take place in this quarter, in March, but had not been completed at press time.

## The Six-Month Assessment

The six-month assessment found that the APPF did not have sufficient capacity or capability to perform six essential tasks and met only 46 of 166 transition-readiness standards. It concluded that the APPF was not on track to assume PSC responsibilities by March 20, 2012. The assessment team made a number of urgent recommendations, including the following:

# AFGHANISTAN OVERVIEW

- Establish a framework to manage the business functions inherent in transitioning and executing the security service contracts.
- Develop a phased plan and implementation guidance to transition PSC contracts, people, and equipment to the APPF.
- Provide an operating budget to support APPF development and initial business costs.
- Recruit and train personnel and provide resources for the APPF headquarters, the APPF Training Center, and the zone/provincial headquarters.
- Approve the charter for the state-owned enterprise.
- Develop command and control, and operational procedures for convoy security and personnel security details.

The assessment noted that the risk for Afghanistan of not accomplishing these tasks was “the possible loss of billions of dollars in development projects, loss of revenue and jobs, a diversion of counter-insurgency forces to self-security roles, and general lack of confidence by the international community and Afghans alike in the ability of the Government to provide security.” It added, “A commitment by the GIRoA and specifically the Ministry of Interior is essential in order to expeditiously develop the capability and capacity of the APPF to provide the security services acceptable to the international community.”<sup>7</sup>

## The APPF Is Evolving

During this transition period, the APPF has been continually adapting to meet the needs of the international community. For example, in January 2012, in response to U.S. and coalition concerns about the capabilities and management of APPF guards, President Karzai authorized the creation of risk management companies (RMCs) to provide advice on security issues. A PSC corporate entity may disband or establish a new legal corporate entity and apply for a license as an RMC. A single corporate entity may not hold both a PSC license and an RMC license. The RMCs may not provide security services, but they may provide security consulting services and on-site training of APPF guards. The regulations also permit them to carry light arms for self-defense. Moreover, the regulations allow them to assist an implementing partner in contracting for security services with the APPF. The Afghan government is charging international RMCs \$124,000 for a license to operate. These companies must also post a bond of about \$300,000.

The APPF employs personnel who voluntarily transfer from their current jobs with PSCs; it is also recruiting and training new guards. Those who have been trained and certified by PSC employers are assumed to have been trained and thus do not have to attend training at the APPF Training Center. At the end of 2011, the APPF reported having authorized 6,558 of the 11,000 trained security personnel that the advisory group estimated it needed to provide security for development projects and convoys. The APPF's goal is to have 25,000 guards on its roster by March 2013.

In March 2012, the APPF reported it had signed 18 contracts to provide guard services for development activities and issued licenses to 12 RMCs. However,

as SIGAR's Acting IG told the Congress, "the current rush to establish contracts with the APPF is not the end game."<sup>8</sup> The real test is whether the APPF can provide the security required to implement reconstruction projects.

## **SIGAR To Conduct Additional Audits**

The transition to the APPF poses a significant challenge to the reconstruction effort. SIGAR's audit work highlights a number of factors that make the transition particularly difficult—increased costs, difficulty complying with changing rules and regulations, and the lack of U.S. control over the current process. U.S. government agencies are making concerted efforts to comply with the mandate to transition security services from PSCs to an Afghan government entity. The APPF Advisory Group, for example, has worked closely with the APPF to develop a template for contracting with USAID implementing partners. However, it is too early to assess whether the work of agencies like USAID will be enough to enable security to transition to the APPF without adversely affecting the reconstruction effort.

Because successful reconstruction depends on the capability of the APPF to provide security services, SIGAR will begin two additional audits later this year. One will assess the security costs of transitioning PSCs that currently provide security services for projects funded through the DoD-managed Afghanistan Security Forces Fund (ASFF). The Congress has appropriated more than half of all U.S. reconstruction dollars to the ASFF, which supports the ANSF. SIGAR will also be conducting an audit to examine costs and other issues related to the transition of PSCs to the APPF and its effect on U.S.-funded reconstruction projects.

SIGAR will continue to closely monitor the transition to the APPF, assess transition outcomes, and keep key policy and decision makers informed about the results of its work.

## **GENERAL ALLEN PROVIDES UPDATE ON TRANSITION**

This quarter, ISAF Commander General John Allen sought to reassure the Congress that the United States and its coalition partners were on track to complete the transition of security responsibilities to the ANSF by December 2014. He acknowledged that "the last couple of months have been trying," but he said, "the relationship between the coalition and the Afghan security forces remains strong."<sup>9</sup>

General Allen told the Congress that over the last year the ANSF had expanded from 276,000 to 330,000 and would reach its full strength of 352,000 before October 2012. He said that the Afghan security forces were becoming increasingly professional and capable of providing security for their country. According to General Allen, these forces have taken the lead in more than 42% of the joint operations conducted over the last five months. He said, "As they move to the fore, they are gaining more and more confidence and they're gaining more and more capability." General Allen told the Congress that over the next two years, coalition forces would remain combat-ready "but increasingly focused on security force assistance and supporting Afghan combat operations."<sup>10</sup>

# AFGHANISTAN OVERVIEW



**ISAF Commander Gen. John R. Allen** appeared before the Congress on March 20 to report on the transition of responsibility for security to the ANSF by December 2014. Gen. Allen testified that Afghan security forces are becoming increasingly professional and capable of providing security for their country. (U.S. Army photo, MSG Kap Kim)

General Allen said the transition is proceeding in five tranches across the country. The first phase began in July 2011; the second phase, in December 2011; U.S. and Afghan authorities are deliberating on when to begin the third phase. General Allen said he expected that President Karzai will announce the transition of the fifth tranche in summer 2013.<sup>11</sup>

General Allen also pointed out that the transition plan faces serious long-term challenges from resilient terrorist networks and from government corruption. He said that the Taliban remains a “resilient and determined enemy” and predicted that insurgents would try to regain lost ground through assassination, intimidation, high-profile attacks, and improvised explosive devices. He added, “We know that corruption still robs Afghan citizens of their faith in their government and that poor governance itself often advances insurgent messages.”<sup>12</sup>

During his testimony, General Allen highlighted the roles of two military organizations established in 2010 to prevent and combat corruption—the Combined Joint Inter-agency Task Force–*Shafafiyat* (transparency) and Task Force 2010. Task Force Shafafiyat works with Afghan and coalition law enforcement personnel to identify corrupt activities and coordinate anti-corruption efforts. Task Force 2010 was established in July 2010 to track the flow of contracting dollars through the Afghan economy and prevent U.S.-funded contracts from inadvertently enriching power brokers, criminals, and insurgents. SIGAR is working closely with both Task Force Shafafiyat and Task Force 2010.



## TASK FORCE 2010 CHANGES COMMAND

During this reporting period, Major General Richard Longo replaced Brigadier General Ross Ridge as the commander of Task Force 2010. The task force falls under the authority of U.S. Forces - Afghanistan. It leverages intelligence, law enforcement, and forensic investigations to (1) gain visibility over subcontractors, (2) identify accountability issues, and (3) determine what action needs to be taken to mitigate financial risks and other threats to coalition forces.

According to task force officials, since its inception Task Force 2010 has reviewed 2,000 contracts, contract modifications, and cooperative agreements to identify connections to criminal networks and insurgent groups. Based on these reviews, the task force has made hundreds of recommendations to commanders to mitigate risk. Task force officials estimate that commanders have saved about \$1.2 billion by implementing these recommendations. Equally important, task force officials say that preventive measures have minimized the potential of contracting funds going to criminal elements and unscrupulous vendors. These measures have also prevented projects from failing and helped ensure that U.S. contracting officials and contractors are following proper accounting procedures.

Task Force 2010 has reported recovering more than 290,000 stolen military items valued at \$180 million since January 2011. Working jointly with U.S. and Afghan law enforcement entities, the task force has recovered this property through undercover sting operations, targeted raids, and container recovery missions. SIGAR, the International Contract Corruption Task Force, and the Criminal Investigation Task Force at Fort Belvoir in Virginia have supported Task Force 2010 in these efforts.

In a major effort to improve accountability of transportation contracts, Task Force 2010 also helped the Joint Support Theater Contracting Command establish the National Afghan Trucking Contract to replace the Host Nation Trucking Contract in September 2011. During the first 90 days of the new contract, the U.S. government spent \$38.5 million less than during the same period in 2010. The task force is continuing to work with SIGAR, the Department of Justice, and the Defense Criminal Investigative Service to pursue civil forfeiture and asset seizure actions against companies that had contracts under the Host Nation Trucking Contract.

Task Force 2010 has taken a number of steps to institute best practices for contingency contracting and to propose reforms that would improve regulations and policies related to contracting. For example, the task force worked closely with DoD's Office for Procurement and Acquisition Policy to propose legislation that would give contracting entities the authority to rescind or void contracts with companies that clearly associated with enemy groups. The Congress incorporated these changes in the National Defense Authorization Act for FY 2012.

SIGAR has a special agent assigned to the task force. SIGAR investigators have also collaborated with Task Force 2010 under Brigadier General Ridge to document and prepare nearly 100 proposals for suspensions and debarments

over the last 18 months. Brigadier General Ridge, who has been nominated for promotion to Major General, will become the new Deputy Inspector General of the Army. SIGAR looks forward to continuing to work closely with Task Force 2010 under Major General Longo.


## LOOKING FORWARD: THE NATO SUMMIT AND TOKYO DONOR CONFERENCE

During this reporting period, the United States and its coalition partners prepared for two major meetings that will define international support for Afghanistan through the transition in 2014 and beyond: the NATO Summit in May and the Tokyo Conference in July. These meetings will establish a framework for international security and development assistance for the future.

More than 50 heads of state will attend the May 20–21 NATO Summit in Chicago to evaluate the status of the security transition in Afghanistan and present a plan for continued funding of the ANSF. Although NATO has expressed a determination to support Afghanistan after the security transition has been completed, the summit is expected to identify the resources required as U.S. and NATO combat troops withdraw. A major topic will be the projected size of the ANSF. This quarter, U.S., coalition, and Afghan officials all acknowledged that the force strengths of the Afghan National Army and the Afghan National Police will likely be reduced after the transition. In his congressional testimony, General Allen said he expected the forces to draw down to approximately 230,000 by around 2017, depending on the security situation in Afghanistan.

In July, Japan will host a donor's conference to assess Afghanistan's development needs beyond 2014. During this reporting period, Afghanistan's Ministry of Finance has held several meetings with representatives of other Afghan institutions and with international partners to establish Afghan priorities for the Tokyo Conference. Both the Afghan government and the international donor community are particularly concerned about how the withdrawal of international forces is going to affect the Afghan economy.

Last quarter, the Afghan government outlined its economic transitions strategy in a report, entitled "Towards a Self-Sustaining Afghanistan." It analyzed the economic impact of the military drawdown, promised government reform, and called for continued international support of the country's national priority programs in the key sectors of security, governance, and development. The Afghan government said it must look to donors to help finance government operations, development programs, and the cost of its security forces until 2030.<sup>13</sup> The Afghan government is looking to the NATO Summit and the Tokyo Conference to build an international consensus for this long-term support.



### **Building the Capacity To Heal**

An Afghan anesthesiologist applies a cast to the arm of a member of the 67th Forward Surgical Team (Airborne). The surgical team and PRT Farah conducted a class for Afghan medical providers at Farah City Hospital on February 11. (ISAF photo, 1st Lt. Mark Graff)

# 2 SIGAR OVERSIGHT



“As a result of our prior and ongoing audit work and discussions with U.S. government officials and contractors, SIGAR has a number of concerns about security costs and the ability of U.S. agencies and their implementing partners to successfully provide and oversee the necessary security for reconstruction projects.”

—*Steven J Trent, Acting Special Inspector General for Afghanistan Reconstruction*

Source: House Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations, “Statement of the Acting Special Inspector General for Afghanistan Reconstruction Steven J Trent,” 3/29/2012.

## SIGAR OVERSIGHT

During this reporting period, SIGAR prevented taxpayer dollars from being wasted, recovered cash and stolen property, identified issues that need to be addressed to protect reconstruction funds, and worked with the oversight community to develop a strategic framework for audits and inspections in the upcoming fiscal year. Acting Inspector General Steven Trent provided testimony to the Congress. SIGAR highlights this quarter include the following:

- issued a management alert letter and testified before the Congress concerning the increasing security costs for development projects that may result from the transition of private security responsibilities to the Afghan Public Protection Force (APPF)
- completed three audits addressing the reliability of U.S. Central Command (CENTCOM) contract data, a \$400 million U.S. Agency for International Development (USAID) local governance and development program, and USAID's financial oversight of its contracts
- conducted investigations that led to contracts with \$131 million in unspent funds being terminated for default or voided
- recovered \$446,000 in stolen fuel and \$175,000 in cash
- participated in investigations that resulted in three individuals being sentenced to prison and penalized with fines and restitutions totaling \$269,000
- helped disrupt a bribery scheme at the U.S. Embassy Kabul in coordination with partners from the International Contract Corruption Task Force (ICCTF)

### AUDITS

This quarter, SIGAR sent a management alert letter to USAID about the potential rise in security costs resulting from the Afghan government's decision to dissolve private security companies (PSCs) and transition their responsibilities to the APPF. This critical issue was a focus of the IG's testimony.

Also this quarter, SIGAR and the Offices of Inspector General (OIGs) of the Department of Defense (DoD), Department of State (DoS), and USAID agreed to develop a joint oversight plan for audits and inspections focusing on 13 strategic issues that are fundamental to the U.S. reconstruction effort.

Since its last report to the Congress, SIGAR completed 3 audit reports and announced 3 new audits, bringing the number of ongoing audits to 12, including 3 forensic reviews of the major reconstruction funds. SIGAR also has 4 ongoing inspections. The audit reports published this quarter examine the reliability

### COMPLETED AUDITS

- Audit 12-7: Reliability of Data on Prime Reconstruction Vendors
- Audit 12-8: USAID Contracts for LGCD Project
- Audit 12-9: USAID's Financial Audit Coverage of Incurred Costs

### NEW AUDITS

- ANA Logistics Capability for Petroleum, Oil, and Lubricants
- Construction of ANA Facility in Badghis Province
- USAID's Partnership with International Relief and Development, Inc.

### ONGOING AUDITS

- USAID's Task Order in Support of Afghanistan Stabilization Initiative
- USACE O&M Contracts for ANSF Facilities
- USAID's Costs for Private Security Support Services
- Outcomes of DoS Public Diplomacy Grants
- Oversight of A-TEMP for the ANP
- Implementation of the AIP

### ONGOING INSPECTIONS

- Four USACE Construction Projects

### FORENSIC AUDITS

- DoD Transaction Data Related to Reconstruction
- USAID Transaction Data Related to Reconstruction
- DoS Transaction Data Related to Reconstruction



of DoD contract data, assess USAID's \$400 million Local Governance and Community Development (LGCD) project, and evaluate the status of USAID's financial oversight of its contracts, cooperative agreements, and other financial instruments.

## Management Alert Letter to USAID

On March 9, 2012, SIGAR provided a management alert letter to USAID that (1) detailed SIGAR's concerns about the imminent transition from PSCs to the APPF and (2) offered suggestions to mitigate the risks the transition poses to U.S. reconstruction projects. U.S. agencies and their implementing partners have depended on PSCs to provide security for reconstruction programs. The Afghan government planned for the APPF to assume PSC responsibilities for all international development projects and convoys on March 20, 2012. On March 18, the Afghan government announced that it had granted 30- to 90-day provisional licenses to some implementing partners to give them time to finalize contracts with the APPF.

While conducting an audit of the costs associated with PSCs used by USAID and its implementing partners for FY 2009 through FY 2011, SIGAR identified three major issues:

- The transition to the APPF may raise labor costs for Afghan security guards by as much as 46%, and labor costs for expatriate security personnel by as much as 200%.
- At least 10 ongoing USAID projects valued at about \$899 million were at risk of termination if the APPF cannot provide the needed security.
- Four PSCs working on USAID projects were not properly licensed by the Afghan government.

SIGAR made the following suggestions to help address these three issues:

- USAID should analyze security costs for projects that are to continue after the transition and determine whether funding will be available to cover increased costs. SIGAR also encouraged USAID to include security costs as a factor in the decision to award future contracts, cooperative agreements, and grants.
- If the APPF is unable to provide adequate security services, USAID should plan for the full or partial termination of as many as 29 projects.
- USAID should ensure that its implementing partners are in full compliance with Afghan regulations on the provision of security for projects and on implementing partners' personnel.

In response to SIGAR's letter, the USAID Mission Director in Afghanistan acknowledged the issues that SIGAR identified but questioned their scope and magnitude. SIGAR provided additional comments in support of its findings. The Congress invited SIGAR and USAID to testify about how the Afghan government's decision to dissolve PSCs and transfer their responsibilities to the APPF would affect USAID's reconstruction projects.



**SIGAR's Acting Inspector General**, Steven J Trent, testifies before the Congress on March 29 about a number of concerns that SIGAR identified relating to the transition from private security companies to the APPF. (Courtesy of House Subcommittee on National Security, Homeland Defense, and Foreign Operations)

## SIGAR Testifies Before the Congress

On March 29, 2012, Acting Inspector General Steven Trent appeared before the House Committee on Oversight and Government Reform's Subcommittee on National Security, Homeland Defense, and Foreign Operations to discuss changes in Afghanistan's PSC policies and their impact on USAID reconstruction projects and personnel in Afghanistan. He noted that Afghan President Hamid Karzai's decision to disband PSCs and transfer their responsibilities to an Afghan state-owned enterprise—the APPF—will ultimately have an impact on all U.S. and international reconstruction programs. Under a two-year “bridging strategy,” the APPF was to provide security for all development projects and convoys by March 20, 2012, and for all military construction sites and bases by March 2013. On March 18, two days before the deadline for the transition, the Afghan government announced that it had granted 30- to 90-day provisional licenses to some implementing partners to give them time to finalize contracts with the APPF.

The transition most immediately affects USAID, which is the single largest funder of development projects in Afghanistan. Mr. Trent emphasized that SIGAR's primary concerns are increased costs and the possible disruption or termination of reconstruction projects if the APPF cannot provide the necessary security. He said that SIGAR has more questions than answers about how the APPF will operate. The bridging strategy called for developmental assessments of the APPF at the 6-, 9-, and 12-month marks. The 6-month assessment,

completed in September 2011, found that the APPF was not ready to assume any of the essential PSC responsibilities to meet contract requirements—such as training, equipping, and deploying guard forces. Mr. Trent pointed out that the December assessment, which would have been at the 9-month mark, has not yet been made public and that the deadline for the 12-month assessment has passed. The questions raised by the 6-month assessment of the APPF's capability still need to be addressed.

SIGAR had suggested that USAID determine whether funding will be available to cover additional security costs for projects that will continue after the transition and that the agency assess the effect that increased security costs will have on project implementation. SIGAR also had suggested that USAID “carefully and objectively consider whether the expected benefits of a reconstruction project outweigh the rising costs of security.”

Mr. Trent assured the Congress that SIGAR would continue to closely monitor the transition to the APPF, assess transition outcomes, and keep key policy makers and decision makers informed about the results of its work.

## **Strategic Planning Group Identifies 13 Oversight Priorities**

This quarter, SIGAR, DoD OIG, DoS OIG, and USAID OIG signed a charter formalizing the Strategic Planning Group and its commitment to develop a strategic oversight framework to guide audit and inspection planning for the reconstruction effort in Afghanistan. The group identified 13 overarching strategic issues that will be the focus of audits and inspections for FY 2013:

- building the capacity and capabilities of the Afghan National Security Forces (ANSF)
- ensuring accountability and proper financial management of the Afghanistan Security Forces Fund (ASFF)
- building Afghan governance capacity
- ensuring the sustainability of Afghan programs and infrastructure
- increasing revenue generation within the Afghan government
- implementing civil service and pay reforms within the Afghan government
- planning and coordinating U.S. assistance programs
- supporting electoral reforms and preparation for the 2014 presidential election
- executing and sustaining counter-narcotics programs
- expanding the capacity of the overall justice system
- implementing anti-corruption initiatives
- ensuring good stewardship of direct assistance funds
- overseeing contract awards and administration

SIGAR, DoD OIG, DoS OIG, and USAID OIG are preparing a strategic oversight plan that will define the strategic issues and their importance to the achievement of the U.S. government's objectives in Afghanistan. The OIGs will use this plan, to be released in June 2012, as a strategic guide for developing audits and inspections for the FY 2013 Comprehensive Oversight Plan for Southwest Asia.

## Completed Audit Reports

This quarter, SIGAR completed 3 audit reports. They examined the reliability of DoD contract data, assessed a USAID project, and evaluated the status of USAID's financial oversight of its contracts, cooperative agreements, and other financial instruments.

### Audit 12-7: Agency Oversight

#### **C-JTSCC Has Taken Steps To Improve the Accuracy of Its Contract Data, But Should Assess the Feasibility of Correcting its Data for Fiscal Year 2009 and Earlier**

Since 2001, the United States has provided more than \$85.5 billion to DoD, DoS, USAID, and other U.S. agencies for the reconstruction of Afghanistan. Within DoD, numerous contracting authorities, including the U.S. Central Command's (CENTCOM) Joint Theater Support Contracting Command (C-JTSCC), use reconstruction funds to implement security and development assistance projects.

In 2010, C-JTSCC reported to SIGAR that it obligated about \$6.7 billion from reconstruction funds to contracts from FY 2007 through FY 2009. In June 2011, the Congress questioned the accuracy of C-JTSCC's FY 2009 data after observing that the reported obligations for two contractors appeared overstated. C-JTSCC later confirmed that data was inaccurate—in the case of one contractor, the reported data overstated obligations by 38 times.

### OBJECTIVES

This audit had three objectives:

- Examine the discrepancies in C-JTSCC's data to determine how they occurred.
- Evaluate the measures C-JTSCC had taken to address the cause of these discrepancies.
- Identify what additional steps, if any, C-JTSCC needs to take to ensure the accuracy and reliability of contract data.

### FINDINGS

1. C-JTSCC officials reported that the query used to generate the data provided to SIGAR in 2010 had design flaws that resulted in C-JTSCC overstating its FY 2009 contract obligations by about \$2.6 billion. Moreover, C-JTSCC's data included contracts funded from sources other than reconstruction funds. Although contracting officials are supposed to identify the source of funds for a contract, SIGAR found that 5,600 of the 14,700 contract records it reviewed did not provide a funding source.
2. C-JTSCC has taken a number of steps to improve its ability to report accurate data. C-JTSCC officials must now complete a training course in query design prior to accessing procurement data systems. C-JTSCC also implemented a three-level process to review data prior to providing information to external customers. In addition, C-JTSCC increased the frequency of program management reviews and finalized policies and procedures to standardize data entry.

## COMPLETED AUDITS

- Audit 12-7: C-JTSCC Has Taken Steps To Improve the Accuracy of Its Contract Data, But Should Assess the Feasibility of Correcting its Data for Fiscal Year 2009 and Earlier
- Audit 12-8: USAID Spent Almost \$400 Million on an Afghan Stabilization Project Despite Uncertain Results, But Has Taken Steps To Better Assess Similar Efforts
- Audit 12-9: USAID Has Disbursed \$9.5 Billion for Reconstruction and Funded Some Financial Audits as Required, But Many Audits Face Significant Delays, Accountability Limitations, and Lack of Resources

3. Although C-JTSCC took steps in FY 2010 to help minimize long-standing data entry errors, it had not corrected the information entered into its database for FY 2009 and earlier. As of October 2011, C-JTSCC had more than 3,600 active contracts for which more than \$1 billion had been obligated in FY 2009.

## RECOMMENDATION

Because C-JTSCC implemented measures to improve the accuracy of its data queries, SIGAR did not make any recommendations in this area. However, C-JTSCC had not taken any action to correct its contract data for FY 2009 and before. Therefore, SIGAR made one recommendation that the CENTCOM Commander direct the C-JTSCC Commander to take the following action:

1. Assess the feasibility of and the time and resources required to correct C-JTSCC's contract records for FY 2009 and earlier years. If the assessment determines that prior years' records cannot be corrected or the expense is not worth the effort, C-JTSCC should notify those who use its databases that its historical records are not reliable. In addition, C-JTSCC should report to the Office of Federal Procurement Policy and the General Services Administration that its FY 2009 and earlier records may not be accurate.

## AGENCY COMMENTS

Overall, C-JTSCC concurred with SIGAR's recommendation and reported that it has taken steps to determine the feasibility of correcting its data for FY 2009 and previous years.

## Audit 12-8: Governance and Economic Development

### USAID Spent Almost \$400 Million on an Afghan Stabilization Project Despite Uncertain Results, But Has Taken Steps To Better Assess Similar Efforts

In October 2006, USAID awarded two task orders to Development Alternatives, Inc. (DAI) and Associates in Rural Development (ARD) to implement the Local Governance and Community Development (LGCD) program in Afghanistan. Although the LGCD changed over time, it was designed to contribute to the creation of a stable environment for medium- and long-term political, economic, and social development. Since September 2003, USAID has obligated more than \$1.1 billion for 20 major contracts or grants that supported stabilization efforts. As of September 2011, USAID had expended about \$373 million for the LGCD. This LGCD has ended, but USAID is continuing to support stabilization efforts, including two contracts totaling \$151 million for the Stabilization in Key Areas (SIKA) program.

## OBJECTIVES

This audit had two objectives:

- Assess the cost and outcomes of the LGCD program.
- Evaluate USAID oversight of the project.

## FINDINGS

1. USAID increased the LGCD's funding and extended the life of this program despite project delays, unexpectedly high contractor operating costs, difficulty setting and measuring program outcomes, and indications that the program had mixed results, at best. USAID initially approved a funding ceiling of \$150 million that was to last no more than three years; however, USAID increased funding for LGCD to nearly \$400 million and extended the project by almost two years. The LGCD posed a number of challenges for USAID. Less than half of all LGCD funds were spent on subproject activity, even though the original task orders called for the majority of funds to be spent for that purpose. USAID also had difficulty determining the effectiveness of the program and, over time, changed its expectations of what it could achieve. Available evaluations of the program indicated that it had mixed results. For example, USAID requested an independent evaluation that found that the LGCD program had pockets of success but had not met its overarching goals of extending the legitimacy of the Afghan government, bringing the government closer to the people, or fostering stability.
2. Travel and other security restrictions hindered USAID's ability to monitor the LGCD program. The U.S. government accepts a certain amount of risk in undertaking programs like the LGCD. This makes it particularly important that implementing agencies obtain supporting data from contractors for their invoices and that independent financial audits are conducted. However, SIGAR found that the LGCD task orders and related contracts did not require contractors to submit supporting documentation for their invoices. In addition, USAID only recently committed to contract for a financial audit of the LGCD projects. That audit is scheduled to occur in 2012.

## RECOMMENDATION

SIGAR remains concerned about the extent to which USAID will successfully define and measure outcomes for its stabilization activities. However, because USAID has issued a Request for Task Order Proposal to measure the impact of stabilization initiatives and review previous and ongoing stabilization efforts, among other things, SIGAR did not make any recommendations related to this issue.

To strengthen oversight of contractor costs and allow the Contracting Officer's Representative to link invoiced costs to the goods and services intended to be provided, SIGAR recommended that the USAID Mission Director in Afghanistan take the following action:

1. Direct contracting officers to ensure that the SIKA contract and others, as appropriate, require contractors to provide complete supporting detail with invoices.



## AGENCY COMMENTS

In commenting on a draft of the audit report, USAID stated that its current policy guidance already addresses SIGAR's concern about strengthening oversight of contractor costs. However, USAID's policy guidance depends on annual audits of contractors' costs to provide reasonable assurance that contractors are claiming only eligible, supported costs for reimbursement. Because USAID has a significant backlog of audits of contractor-incurred costs, relying on this policy is not sufficient for addressing SIGAR's concerns. In programs like the LGCD, the risk that the U.S. government accepts is particularly high. Therefore, additional cost verification measures are necessary. USAID further stated that if SIGAR retained the recommendation, it should be addressed to the USAID Administrator because it pertains to the entire agency. Although the recommendation may have broader applicability, SIGAR addressed it to the mission level because of the unique risks posed by stabilization programs, such as the LGCD, in Afghanistan. Therefore, SIGAR kept the recommendation addressed to the Mission Director. If USAID believes that the recommendation has broader applicability, SIGAR welcomes USAID's efforts to apply it throughout the agency.

## Audit 12-9: Agency Oversight

### **USAID Has Disbursed \$9.5 Billion for Reconstruction and Funded Some Financial Audits as Required, But Many Audits Face Significant Delays, Accountability Limitations, and Lack of Resources**

Since 2002, USAID has awarded \$15.2 billion in Afghan reconstruction funds to its implementing partners through 305 contracts, grants, cooperative agreements, and other funding mechanisms worth more than \$100,000 each. Financial audits of funds expended under such awards provide USAID with independent assessments of how those funds were used. Ensuring that financial audits are conducted in a timely manner is critical to provide accountability over reconstruction funds in Afghanistan, where USAID has experienced challenges in monitoring program implementation. Moreover, financial audits of award recipients often result in savings to the U.S. government by identifying costs that may be disallowed and recovered because they do not comply with the terms of an award, lack adequate supporting documentation, are not allowable to a specific program, or are deemed unreasonable. SIGAR sampled \$2.4 billion of the \$9.5 billion disbursed by USAID.

## OBJECTIVES

This audit had two objectives:

- Identify the awards that USAID has funded for Afghanistan reconstruction since 2002.
- Assess the extent to which financial audit requirements had been met for the various types of awards and implementing partners.

## FINDINGS

1. Since 2002, USAID has made 305 awards with a total estimated value of \$15.2 billion to 149 implementing partners to fund reconstruction activities in Afghanistan. As of September 30, 2011, USAID had disbursed \$9.5 billion through these awards, which included 136 contracts and task orders, 93 cooperative agreements, 53 grants, and 23 inter-agency agreements. The majority of USAID funding has gone to U.S. contractors, U.S. nonprofit organizations, and multilateral organizations. Ten implementing partners accounted for about 70% of total USAID funding.
2. Based on SIGAR's sample of 64 awards, SIGAR found a number of issues with USAID's financial oversight:
  - Incurred-cost audits of U.S.-based contractors were delayed because of a backlog of such audits caused by understaffing at the Defense Contract Audit Agency (DCAA) and lack of funding by USAID. As a result, nearly \$1.1 billion disbursed by USAID since 2003 to the 13 U.S. contractors in the sample had not been audited by DCAA as of September 30, 2011. Annual audits of U.S.-based nonprofit organizations were conducted in accordance with Office of Management and Budget Circular A-133, but many did not include specific USAID Afghanistan awards, thereby providing limited accountability over reconstruction funds.
  - Annual financial audits of awards to multilateral organizations and other non-U.S. entities were often conducted. However, in some instances, these audits only partially met requirements, or the results were not provided to USAID.
  - Audit requirements for funds provided to other U.S. agencies were vague, or audits were not required in many cases.
  - Although the majority of the 305 awards had been completed or had expired as of September 30, 2011, most had not been closed, partly because of delays in conducting close-out audits as required. Therefore, USAID lacked assurance over the use and disposition of its funds and property for completed or expired awards. Not closing the awards also delayed the potential recovery of \$103 million in unliquidated obligations and \$27.3 million in unpaid cost share, which are resources that the implementing partner is responsible for providing.
  - Finally, although as much as half of the funds that USAID provides for contracts, grants, and cooperative agreements may flow down to sub-recipients, USAID lacked transparency with regard to whether financial audits of sub-awards were being conducted as required.

## RECOMMENDATIONS

To improve financial audit coverage of U.S.-based contractors, SIGAR recommended that the Administrator of USAID take the following action:

1. Increase the quantity and timeliness of incurred cost audits of U.S. contractors by (a) using appropriations for program funds to help finance those

# SIGAR OVERSIGHT

audits and (b) contracting with private audit firms for those instances in which DCAA cannot respond to audit requests.

To provide better accountability over funds provided to contractors and grantees for Afghanistan reconstruction, SIGAR recommended that the Administrator of USAID take the following actions:

2. Develop a system to identify and prioritize awards to U.S. nonprofit organizations to determine whether USAID should (a) request that the awards be audited as major programs by the organizations' OMB Circular A-133 auditors or (b) contract for award-specific financial audits of those awards.
3. Expedite close-out audits for expired awards, especially for (a) the 90 expired awards with \$103 million in unexpended obligations and (b) the 13 expired awards with \$27.3 million in unpaid cost share as of September 30, 2011.
4. Amend USAID's awards for Afghanistan reconstruction to include a requirement that prime recipients develop and submit to the respective contract or agreement officer a plan for ensuring that financial audits of expenditures under sub-awards are conducted, as required.

## AGENCY COMMENTS

In commenting on a draft of this report, USAID found the report informative and objective. USAID noted that it fully recognizes the need to conduct more financial audits in a timely manner to ensure accountability for the billions of dollars channeled by USAID through its implementing partners. Overall, USAID concurred with the recommendations and has taken some steps to address them, but USAID noted some issues in implementing them. Specifically, the lack of qualified audit firms in Afghanistan will require USAID to hire U.S. and international audit firms. This will likely increase audit costs. In regard to SIGAR's recommendations to expedite close-out audits and ensure that financial audits of sub-awards are conducted as required, USAID suggested that such actions should apply across USAID—not just USAID Afghanistan. SIGAR's audit work does not address other USAID missions, but SIGAR encourages USAID to take the steps it deems necessary to ensure that its financial oversight requirements are implemented uniformly across its missions.

## NEW AUDITS

- Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants
- Construction of the 3rd Brigade, 207th Afghan Army Corps Garrison in Badghis Province
- USAID's Southern Region Agricultural Development Project's Partnership with International Relief and Development, Inc.

## New Audits Announced This Quarter

This quarter, SIGAR announced three new audits. Two are assessing aspects of the U.S. effort to build the ANSF, and one is examining a USAID agriculture project. Building the ANSF and developing Afghanistan's agriculture sector are U.S. government priorities.

### **Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants**

The United States is working through the Combined Security Transition Command - Afghanistan (CSTC-A) to help the ANA build an independent and

sustainable logistics capability. This quarter, SIGAR began an audit to assess the status of CSTC-A's efforts to develop the ANA capabilities to manage and distribute petroleum products. This audit will also determine whether the ANA has the internal controls needed to account for petroleum products and prevent fraud, waste, and abuse, including the unauthorized diversion or theft of fuel.

## **Construction of the 3rd Brigade, 207th Afghan Army Corps Garrison in Badghis Province**

In January 2012, SIGAR received an allegation that the NATO Training Mission - Afghanistan/CSTC-A did not consider less expensive options before the U.S. Army Corps of Engineers (USACE) awarded an \$81.3 million construction contract for an ANA garrison. After meeting with U.S. military officials and the USACE to discuss the concerns, SIGAR initiated an audit to assess the basis for the decision to proceed with the construction contract.

## **USAID's Southern Region Agricultural Development Project's Partnership with International Relief and Development, Inc.**

USAID is funding the Southern Region Agricultural Development Project to combat regional instability, increase agricultural employment and income, and assist the region's transition from an insecure area to one with a sustainable and prosperous agricultural economy. In February 2012, SIGAR received allegations that USAID's implementing partner—International Relief and Development, Inc. (IRD)—had failed to coordinate sufficiently with the local government and military officials and was spending funds on solar panels and farm tractors without justification. SIGAR is conducting this audit to (1) assess the basis for the acquisition and distribution of solar panels and farm tractors and (2) determine whether IRD's expenditures complied with the terms of its strategic partnership agreement and the intended goals of the program.

## **Ongoing Audits**

SIGAR has six additional ongoing audits. These audits are evaluating contracts and programs funded by the three main U.S. implementing agencies—DoD, DoS, and USAID—in security, governance, and economic development.

## **USAID's Task Order in Support of the Afghanistan Stabilization Initiative-East Program**

In June 2009, USAID's Office of Transition Initiatives awarded a three-year task order with a funding ceiling of \$151 million to Development Alternatives, Inc., to support the U.S. government's Afghanistan Stabilization Initiative program in the eastern regions of the country. The initiative seeks to improve the economic and social environment in target districts of Afghanistan through small community-enhancement projects. SIGAR is assessing the cost, schedule, and outcomes of the initiative, as well as the oversight and progress made toward transitioning to the build phase of the U.S. counter-insurgency strategy.

### **ONGOING AUDITS**

- USAID's Task Order in Support of Afghanistan Stabilization Initiative-East Program
- USACE Operations and Maintenance Contracts with ITT Systems Corporation for ANSF Facilities
- Costs of Private Security Contractors Utilized by USAID Contractors for Reconstruction in Afghanistan
- Outcomes of DoS's Public Diplomacy Grants in Support of Reconstruction in Afghanistan
- Oversight and Costs Associated with the Afghanistan - Technical Equipment Maintenance Program (A-TEMP) for the ANP
- Implementation of the Afghanistan Infrastructure Program (AIP)



**A SIGAR team visits** a wastewater pumping station at an ANA garrison built with U.S. reconstruction funds. SIGAR is conducting an audit of the operations and maintenance of a contract to provide ANSF facilities. (SIGAR photo)

## **USACE Operations and Maintenance Contracts with ITT Systems Corporation for ANSF Facilities**

In July 2010, USACE awarded two firm-fixed-price contracts to ITT Systems Corporation to provide operations and maintenance for ANSF facilities. Valued at a total of \$800 million, these contracts cover Afghan army and police facilities in northern and southern Afghanistan. According to the program manager, these contracts may cover more than 660 sites. The contracts consist of one base year plus four option years; they require that the contractor train Afghan workers in all aspects of operations and maintenance. SIGAR is assessing cost, schedule, and compliance with contract terms, contract oversight, and sustainability. DoD OIG is conducting a separate audit on the training aspect of the contracts.

## **Costs of Private Security Contractors Utilized by USAID Contractors for Reconstruction in Afghanistan**

The U.S. government has relied on PSCs to provide security for USAID reconstruction and development programs in Afghanistan, but information about their costs is limited. This audit will identify the PSCs used by USAID's implementing partners and determine their costs and their status in light of the ongoing transfer of PSC security functions to the APPE.

## **Outcomes of DoS's Public Diplomacy Grants in Support of Reconstruction in Afghanistan**

SIGAR has identified 21 DoS public diplomacy grants totaling \$78 million in reconstruction funding and may identify additional public diplomacy grants for reconstruction during fieldwork. This audit will review the cost, schedule, and outcomes, as well as the administration and oversight of the grants.

## **Oversight and Costs Associated with the Afghanistan - Technical Equipment Maintenance Program (A-TEMP) for the ANP**

To support the ANP under the A-TEMP, CSTC-A is funding contracts with Automotive Management Services and PAE Government Services, Inc. This audit will focus on government oversight of the prime contractors and any subcontractors, the costs associated with the contracts, accountability for vehicle parts and maintenance supplies, and the status of efforts to transition vehicle maintenance to the ANP.

## **Implementation of the Afghanistan Infrastructure Program (AIP)**

In FY 2011, the Congress created the AIP and authorized DoD and DoS to jointly develop high-priority, large infrastructure projects to support the civil-military campaign in Afghanistan. The Congress has provided more than \$800 million for the Afghanistan Infrastructure Fund which supports the AIP. The audit will focus on project selection; cost, schedule, and outcomes; and compliance with legislative requirements.

## **Forensic Audits**

Public Law 110-181, as amended, requires that before SIGAR is terminated, it must prepare and submit to the appropriate congressional committees a final forensic audit report on programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. To identify waste, fraud, and abuse of taxpayer dollars, SIGAR is conducting forensic reviews of three major reconstruction funds:

- the Afghanistan Security Forces Fund (ASFF), managed by DoD
- the Economic Support Fund (ESF), managed by USAID
- the International Narcotics Control and Law Enforcement (INCLE) account, managed by DoS

## **Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction**

In March 2010, SIGAR initiated a review of DoD appropriation, obligation, and expenditure transaction data related to the ASFF. Since the fund was created in FY 2005, the Congress has appropriated more than \$50.6 billion to the ASFF.

### **FORENSIC AUDITS**

- Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction
- Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction
- Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction



SIGAR has conducted a forensic analysis of approximately \$11.2 billion—including \$9.5 billion of Foreign Military Sales (FMS) disbursements through FY 2010, and \$1.7 billion in disbursements from the USACE through FY 2009. This amount accounted for 97% of actual FMS disbursements through FY 2010. The review covered more than 80,000 transactions. SIGAR screened the results, using a risk-scoring methodology to identify high-risk transactions that warranted additional review. DoD granted SIGAR direct access to its electronic document system, and SIGAR began the review of potential duplicate payments and other payment anomalies; however, the documentation stored within the system provided limited insight into the actual invoices and nature of transactions. SIGAR is working with DoD to identify other methods to isolate exceptions with the highest risk, such as service contracts. SIGAR is also coordinating with DoD to obtain direct access to other DoD systems that will enable further review of more detailed source documentation.

Obtaining data to perform testing has been a challenge because when DoD obligates ASFF funds, it transfers a significant amount of these funds to an FMS trust-fund account to await disbursement through a variant of FMS called pseudo-FMS. Most of these funds are used to procure equipment and training for the ANA and ANP. SIGAR intends to issue a formal notification letter to the Defense Security Cooperation Agency requesting the reporting of pseudo-FMS case obligations and disbursements to further identify how the funds are assigned, implemented, and tracked, and for what purpose the funds were disbursed.

## **Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction**

SIGAR has completed a secondary review of USAID transactional data totaling approximately \$10 billion in disbursements from FY 2002 through FY 2011. The data covers more than 100,000 transactions. SIGAR has screened the results, using a risk-scoring methodology to identify high-risk transactions that warranted additional review. SIGAR has requested source documentation from USAID to review exceptions related to duplicate vendors, potential duplicate payments, and other payment trending anomalies. There has been a significant delay in obtaining this source documentation; as a result, SIGAR has limited its request to documentation related to FY 2009 and later. SIGAR is awaiting this outstanding documentation for additional review.

## **Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction**

SIGAR has completed an initial forensic review of \$2.4 billion in DoS transactional disbursement data from 2002 through June 2011. The review covered 25,000 transactions. SIGAR screened these results, using a risk-scoring methodology to identify high-risk transactions that warranted additional review.

Upon reviewing these results in December 2011, SIGAR identified a number of transactions that did not appear to be related to Afghanistan reconstruction.



Working with DoS, SIGAR determined that one of the two allotment codes used to pull the data set was not utilized strictly for Afghanistan. SIGAR is waiting for DoS to provide a new data set that includes only Afghanistan-related transactions. There has been a significant delay in obtaining this information owing to the difficulty of identifying the correct information at the transactional level that is required for a comprehensive forensic review.

## INSPECTIONS

SIGAR is conducting four inspections of construction projects contracted by the USACE for ANSF facilities in three provinces: Kunduz, Nangarhar, and Wardak. SIGAR is examining the quality of construction and assessing whether the facilities are being operated and maintained for the purposes intended.

SIGAR audits have found that in the security sector alone, the U.S. government planned to have built at least 900 facilities for the ANA and the ANP by the end of FY 2012. DoD has provided \$8 billion for the construction of ANSF facilities from FY 2010 through FY 2012. SIGAR launched its inspections program last quarter because earlier audits identified a number of issues that put the U.S. investment in infrastructure at risk, including sustainability.

### ONGOING INSPECTIONS

- Wardak ANP Training Center (USACE)
- Nangarhar Border Police Company Headquarters Facility (USACE)
- Jalalabad ANA Garrison (USACE)
- Kunduz ANA Facility-2/209th Headquarters (USACE)

## INVESTIGATIONS

During this reporting period, SIGAR's integrated approach to detecting and deterring waste, fraud, and abuse of U.S. reconstruction funds in Afghanistan paid dividends in three critical areas: protecting U.S. tax dollars from being wasted, recovering stolen property, and building cases for criminal prosecution.

In addition to conducting traditional criminal and civil investigations, SIGAR investigators seek to protect U.S. funds in several ways. SIGAR is working closely with contracting officials to identify poorly performing contractors. During this reporting period, this initiative contributed to the termination for default or voiding of five contracts with unspent funds totaling \$131 million. SIGAR has also developed a robust suspension and debarment program to improve contractor accountability and to ensure that only responsible and reliable companies receive U.S.-funded reconstruction contracts. This quarter, SIGAR issued seven referrals for the suspension or debarment of individuals and companies for illegal activities or poor performance.

SIGAR's collaboration with other federal agents and Afghan law enforcement officials led to the seizure of \$175,000 in cash, the recovery of more than \$446,000 in stolen fuel, and the repossession of a stolen tanker. Three individuals, who had previously been arrested and charged for bribery in cases in which SIGAR participated, received sentences this quarter that included fines and restitutions totaling \$269,000.

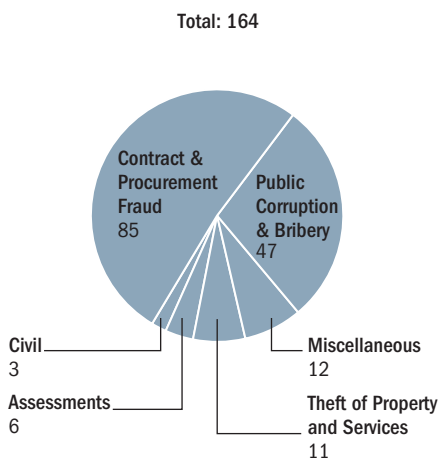
SIGAR and its partners in the International Contract Corruption Task Force (ICCTF) investigated a scheme by foreign nationals at the U.S. Embassy Kabul to solicit bribes in exchange for contracts. SIGAR and ICCTF agents also worked jointly with the Anti-Corruption Unit of the Afghan Attorney General's Office

on a bribery case, which resulted in the arrest of an Afghan national who was subsequently convicted of bribery and theft-related charges under Afghan law. As a result of another investigation, a subcontractor received the \$125,000 it was owed by the prime contractor.

SIGAR has built an integrated investigations team of experienced special agents, investigative analysts, suspension and debarment attorneys, Special Assistant U.S. Attorneys (assigned to the Department of Justice), Afghan investigators, and support staff to address waste, fraud, and abuse in the complex and extremely high-risk environment in Afghanistan. SIGAR has deployed 22 investigators in 7 locations across the country—almost as many agents as the rest of the ICCTF members combined. This enables SIGAR to successfully focus its resources in critical areas and conduct a broad range of investigations that not only build criminal cases but also deter fraud and protect U.S. taxpayer dollars.

FIGURE 2.1

## SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF MARCH 31, 2012



Source: SIGAR Investigations Directorate, 4/9/2012.

## Ongoing Investigations

From January 1 to March 31, SIGAR opened 45 new investigations and closed 7, bringing the total number of open investigations to 164. All investigations are worked jointly with ICCTF members, but SIGAR is the lead investigative agency in 108 of these open cases. Of the 45 new investigations, SIGAR is the lead agency on 36 (80%). SIGAR's Hotline generated 23 of these cases.

Of the 164 ongoing investigations, 51.8% involve procurement fraud and 28.7% involve public corruption and bribery, as shown in Figure 2.1. The remaining 19.5% are investigations of theft and other illegal activities. The SIGAR Hotline received 70 complaints—nearly double the number received last quarter.

## SIGAR Initiative Leads to Contract Cancellations and Protects Unspent Funds

During this reporting period, SIGAR's initiative to prevent waste resulted in the termination for default or voiding of five contracts, with unspent funds totaling \$131 million. SIGAR investigators provided contracting officials with the information they needed to terminate or void these contracts that were at risk of wasting significant public funds. In addition to conducting traditional investigations focused on building cases for prosecution, SIGAR investigators have increased their support of efforts to use other tools to better protect U.S. reconstruction funds from waste, fraud, and abuse—such as contract terminations for default and suspensions, and debarments of individuals and companies. SIGAR believes it is as important to quickly identify and stop potential waste as it is to build cases to prosecute criminal activity, particularly in Afghanistan where many contractors are not U.S. citizens and are less likely to be successfully prosecuted in the United States. The assistance and support provided by the USACE was particularly valuable in several of this quarter's investigations.

## \$80 Million Transport Contract Voided

U.S. contracting officials voided a contract valued at about \$80 million after SIGAR investigators provided information indicating that the Afghan-owned

trucking company that had been awarded this contract was closely affiliated with another transport company that U.S. officials had deemed ineligible to receive U.S. government contracts. SIGAR discovered the connection between the contractors during an investigation of trucking companies and alerted contracting officials.

The Afghan National Trucking Contract, which was established by the U.S. Army, is one of three theater-wide trucking contracts under which the U.S. government funds and manages trucking contracts for the transport of all fuel and materials in the sectors where U.S. forces operate. Transport for fuel and dry goods to support the reconstruction effort is procured through subcontracts awarded by the Bagram Regional Contract Center under the Afghan National Trucking Contract.

### **\$31 Million USACE Contract Terminated**

The USACE terminated a \$31 million contract with a company owned by a third-country national after a SIGAR investigation uncovered an illegal partnership agreement between that company and an Afghan construction company. SIGAR discovered the connection during an investigation of alleged misconduct by that company and its nonperformance on at least five USACE prime contracts in Afghanistan. The \$31 million contract was for the construction of the ANA Regional Military Training Center in Gardez.

### **Two USACE Contracts Valued at \$20 Million Terminated**

The USACE terminated two contracts that had a remaining value of \$20 million after a SIGAR investigation identified several significant contract issues, including evidence of nonperformance and nonpayment of subcontractors. In support of a USACE contract review, SIGAR investigated allegations that a company owned by a third-country national was not fulfilling the terms of two contracts valued at \$59 million for the construction of an ANSF facility in Gardez and two ANSF facilities in Gamberi. The contract terminations resulted in a cost savings of \$11 million on the \$33 million Gardez contract and \$9 million on the \$26 million Gamberi contract.

### **Contract Terminated for Failing To Provide a Forward Operating Base with Protective Barriers**

On March 4, 2012, in response to a SIGAR investigation, the Regional Contracting Center at Forward Operating Base Salerno, in Khowst, terminated a contract for the contractor's failure to deliver large concrete barriers—known as “Alaska barriers”—which protect military and civilian personnel from gunfire and explosions. The SIGAR investigation determined that the contractor had delivered only 299 of the 456 protective barriers it had contracted to provide. The Regional Contracting Center's termination for default resulted in a cost savings to the United States of approximately \$104,650.

As SIGAR noted in its investigation, the failure to deliver the Alaska barriers increased the risk of injury or death for civilian and service personnel. The

protection provided by the barriers may be the only difference between life and death in a forward operating area. Based on SIGAR's investigation and the results of an independent contract review, the Regional Contracting Center plans to seek the debarment of the contractor from future contracts with the U.S. government.

## **SIGAR Recovers \$175,000 in Cash and More Than \$446,000 in Stolen Fuel**

Because the U.S. reconstruction effort relies on U.S.-funded imports of petroleum products that are at a high risk for fraud, SIGAR is working closely with other federal investigative agencies to detect pilfering. SIGAR is also working with federal prosecutors assigned to the Department of Justice to build criminal cases against individuals and companies stealing fuel. This quarter, three investigations yielded \$175,000 in cash and the recovery of fuel worth an estimated \$446,000.

## **Cash Seizure of \$160,000 and Recovery of \$180,000 in Stolen Fuel**

During this reporting period, SIGAR and its partners in the ICCTF seized about \$160,000 in cash and recovered almost 12,000 gallons of stolen fuel valued at about \$180,000 at Forward Operating Base Fenty. A tip to the SIGAR Hotline alerted investigators to the planned theft, and SIGAR immediately launched an investigation. SIGAR and other ICCTF investigators identified the Afghan subjects and intercepted the stolen fuel when the subjects attempted to leave the base. During this investigation, SIGAR and ICCTF agents identified and interviewed several U.S. service members involved in the scheme to steal fuel. The case has been referred to Department of Justice prosecutors.

## **SIGAR Agents Recover Stolen Tanker and \$116,000 in Stolen Fuel**

SIGAR—together with other federal investigators and Task Force 2010—recovered a stolen fuel tanker truck and fuel valued at approximately \$116,000. SIGAR initiated this investigation based on information it received from a confidential informant. Working in cooperation with the ICCTF and the Supreme Group—a company contracted to deliver fuel to U.S. bases—SIGAR identified an organized theft ring operating at Camp Leatherneck. The gate guards at Camp Leatherneck subsequently detained a truck that the thieves said contained contaminated fuel. Because of the fuel's particular characteristics, investigators were able to determine that it was Supreme-supplied fuel. The tanker truck was recovered, and the fuel was returned to the Supreme Group's inventory. No funds were seized. As a result of this investigation, the Supreme Group terminated five of its employees and barred them from U.S. facilities.

## **Afghan Citizen Charged with Bribery and Theft of \$150,000 in Fuel**

On January 24, 2012, a joint investigation by SIGAR, other members of the ICCTF, and Afghan authorities led to the arrest of an Afghan national,

Esrarceddin Burhanuddin, at Forward Operating Base Fenty for stealing fuel. He was subsequently convicted under Afghan law, sentenced to four years imprisonment, and fined \$15,000. Three other Afghan nationals who were associated with Burhanuddin have been banned from U.S. facilities.

This successful joint operation resulted from a briefing SIGAR gave at the forward operating base on how to combat fraud. During the briefing, SIGAR agents told service members that U.S. officials and contractors have been approached and were offered bribes, and the agents described the steps that anyone who was offered a bribe should take. Subsequently, SIGAR agents received a phone call from a U.S. service member who had attended the fraud briefing. He informed SIGAR that Burhanuddin had offered him a bribe to facilitate the theft of fuel from the forward operating base. Burhanuddin worked for a trucking company that had a U.S.-funded contract to deliver fuel and dry goods.

The service member cooperated with SIGAR and other agents of the ICCTF in this investigation to protect U.S. assets. In a joint operation, the U.S. agents and Afghan law enforcement partners had Burhanuddin under surveillance when he gave the service member \$15,000 and tried to divert two fuel tanks with 10,000 gallons of fuel. The Afghan authorities arrested Burhanuddin on the spot, recovered the fuel tankers, and seized the \$15,000 as evidence. Burhanuddin had smuggled the U.S. currency onto the base in a potato chip can.

Together with its partners in the ICCTF and Afghan law enforcement, SIGAR is continuing to investigate large fuel thefts at various U.S. military installations.

## **SIGAR Investigates Two Bribery Schemes at Kabul Embassy**

During this reporting period, SIGAR participated in two investigations in support of investigators from DoS OIG. As a result of these investigations, the U.S. Embassy Kabul fired 7 foreign nationals for soliciting bribes for contracts and suspended 17 companies—and the aliases that these companies were using—from receiving U.S. government contracts. Together with agents from the Federal Bureau of Investigation (FBI) and DoS, SIGAR agents investigated two separate allegations that foreign nationals working as procurement clerks for the U.S. Embassy Kabul had solicited and received bribe payments from Afghan contractors in exchange for embassy contracts. In one scheme, investigators determined that the former embassy employees created fictitious companies to receive contracts.

In addition to terminating the employment of the 7 foreign nationals involved in the schemes, the DoS Suspension Debarment Official suspended 2 Afghan nationals, 17 companies, and the aliases that these companies were using from receiving U.S. government contracts.

## **DoD Official Sentenced for Bribery**

On March 28, 2012, the U.S. District Court for the Northern District of Georgia sentenced Desi Deandre Wade to one year and eight months in prison for using his position as a DoD official to solicit and receive nearly \$100,000 in bribes from a military contractor based in Afghanistan. The prison term will be followed by

three years of supervised release. Wade pled guilty to a one-count violation of 18 U.S.C. 201, bribery of a public official. The judge also ordered Wade, a former DoD employee who had been chief of Fire and Emergency Services with U.S. Forces - Afghanistan, to pay a fine of \$4,000.

In August 2011, after a joint investigation by the FBI, SIGAR, the Defense Criminal Investigative Service (DCIS), and other ICCTF partners in Afghanistan and the United States, Wade was arrested for soliciting kickbacks from a DoD contractor. Wade admitted to having solicited and received two bribes—one for \$4,000, paid in Afghanistan, and the other for \$95,000, paid in Atlanta. He also admitted that he requested the bribe payments in exchange for directing DoD contracts to a contractor. During a debriefing by SIGAR, FBI, and DCIS investigators, Wade also admitted to being aware of contractors who were engaged in fraudulent billing practices involving U.S. reconstruction funds.

After the sentencing, U.S. Attorney Sally Quillian Yates said, “Bribery costs our taxpayers countless millions every year. When a corrupt contractor like this defendant demands a bribe, he builds that cost into the bid—meaning that, in the end, the taxpayer bears the expense of the corrupt contractor’s greed. Rooting out this type of corruption overseas is a difficult task; the investigative agencies involved in this case should be proud of their agents’ work.”<sup>14</sup>

## **Two Former U.S. Soldiers Sentenced for Bribery**

On January 20, 2012, as the result of a joint investigation by SIGAR, the FBI, and other ICCTF partners, the U.S. District Court for the District of Hawaii sentenced a former sergeant and a sergeant major in the U.S. Army to prison terms for accepting bribes from an Afghan trucking company to procure a lucrative trucking contract. The judge sentenced former Sergeant Charles O. Finch to 51 months in prison, followed by 3 years of supervised release. Finch was also ordered to pay \$200,000 in restitution to the DoD. Sergeant Major Gary Canteen received a 31-month sentence followed by 3 years of supervised release. The judge ordered Canteen to pay \$50,000 in restitution to DoD.

In August 2011, Finch and Canteen pled guilty for their roles in conspiring to receive a \$50,000 bribe from a military contractor in return for the award of a DoD trucking contract. Finch pled guilty to one count of conspiracy to commit bribery and one count of bribery, and Canteen pled guilty to one count of conspiracy to commit bribery. These cases were related to another investigation by SIGAR and ICCTF members that led to the successful criminal prosecution of two Afghan trucking companies for bribery-related offenses.

The investigation revealed that Finch and Canteen served on an Army logistical task force at Bagram Airfield from January 2004 until January 2005. Finch was responsible for coordinating trucking or “line haul” services to ensure the distribution of all goods destined for U.S. and coalition soldiers throughout Afghanistan; Finch served under Canteen’s command. Finch also participated in evaluating, recommending, and facilitating the award of line haul contracts to various military contractors.



Canteen and Finch agreed to accept a \$50,000 bribe from two brothers—John and Tahir Ramin—who owned AZ Corporation, in return for Finch’s recommendation and facilitation of the award of a line haul contract to AZ. As part of his plea agreement, Finch admitted that in addition to the \$50,000 bribe from the Ramins and AZ, he also accepted at least \$150,000 in additional bribe money from the Ramins and other line haul contractors at Bagram Airfield.

The cases against Finch and Canteen stemmed from a broad investigation conducted and supported by SIGAR, the U.S. Army Criminal Investigation Command, and the U.S. Air Force Office of Special Investigations. That investigation had led to the arrest, conviction, and sentencing of five other individuals.

## **SIGAR Investigation Results in \$125,000 Contract Payment**

A SIGAR investigation into allegations that a prime contractor had not paid a subcontractor resulted in a \$125,000 settlement. In January 2012, the subcontractor reported to SIGAR that the prime contractor had failed to make the contract payments it owed. SIGAR confirmed that the prime contractor had not paid the subcontractor and referred the issue to the Regional Contracting Center. The contracting center issued a letter of caution to the prime contractor for nonpayment. On February 29, 2012, the prime contractor, which had a contract from Regional Contracting Command at Camp Leatherneck, made the contract payment to the subcontractor, a United Arab Emirates company that provides air transportation services.

## **Suspensions and Debarments**

This quarter, SIGAR referred 7 cases for suspension or debarment, bringing the total number of referrals to 88, as shown in Figure 2.2 on the following page. This includes 53 individuals and 35 companies working on U.S.-funded reconstruction programs. As of March 30, 2012, these referrals had resulted in 20 suspensions, and 21 finalized debarments.

SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations. SIGAR provides all of the documentation needed for an agency to take action.

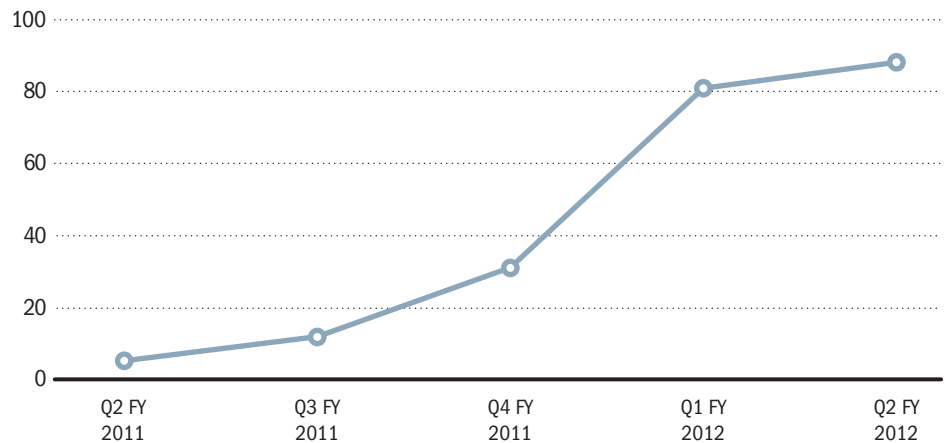
During this reporting period, SIGAR also prepared documentary support for proposals to debar companies accused of theft or poor performance under the Host Nation Trucking Contract from May 2009 to September 2011. Transportation contracts for the shipment of fuel and bulk cargo throughout Afghanistan fall under the umbrella Host Nation Trucking Contract. SIGAR has prepared a comprehensive analysis of the documentation related to allegations against a number of former contractors for the U.S. Army, which managed the Host Nation Trucking Contract. SIGAR is continuing to analyze contracts and prepare materials to support the debarment of trucking companies alleged to have engaged in misconduct or performed poorly under the Host Nation Trucking Contract.



# SIGAR OVERSIGHT

FIGURE 2.2

## SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q2 FY 2012



Source: SIGAR Investigations Directorate, 4/10/2012.

Suspensions and debarments are important tools to ensure that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors.

### **SIGAR Strengthens Partnership with Task Force 2010**

During this reporting period, SIGAR hosted a meeting at its headquarters with the outgoing and incoming commanders of Task Force 2010 to discuss ways to improve U.S. efforts to combat contract fraud, corruption, and other criminal activities related to the U.S. reconstruction effort in Afghanistan. SIGAR has assigned an agent to work full time with the task force.

In July 2010, DoD established Task Force 2010 under U.S. Forces - Afghanistan to combat contract and procurement fraud and to prevent U.S. funds from being used to support insurgents. SIGAR has worked closely with the task force, supporting its mission to recover stolen property, review contracts, and prevent questionable companies from being awarded U.S.-funded contracts. SIGAR has collaborated with Task Force 2010 to document and prepare nearly 90 proposals for suspension and debarment. SIGAR investigators are developing a methodology to allow Task Force 2010 greater access to a large amount of information available through the SIGAR Hotline and SIGAR investigations.

In April, Brigadier General Ross Ridge relinquished command of Task Force 2010 to Major General Richard Longo. Brigadier General Ridge, who has been nominated for promotion to Major General, will become the Deputy Inspector

General for the Department of the Army. He said that SIGAR's decision to assign an investigator to work with Task Force 2010 in Afghanistan ensures the timely and reciprocal flow of information. SIGAR intends to build on its strong relationship with Task Force 2010 to detect waste, fraud, and abuse, and protect U.S.-funded reconstruction programs.

## **SIGAR Deploys New Case Management System**

This quarter, SIGAR began using its new Investigative Case Management System (ICMS), which is accessible to SIGAR investigative personnel in Afghanistan and the United States. The new ICMS has robust search capabilities that will enable SIGAR investigators to review and analyze stored information. The ICMS improvements allow SIGAR investigators to quickly and efficiently search data developed in Afghanistan and the United States to identify related investigations or fraudulent schemes, fraud activity within specific regions in Afghanistan, trends involving fraud affecting U.S. and foreign agencies, and geographic or program areas requiring additional investigative resources to address emerging trends or risks.

SIGAR expects to complete the process of merging stored legacy data from its predecessor system into the ICMS database during the next quarter. Once fully implemented, the ICMS database will provide SIGAR investigators with a highly effective tool to support SIGAR's mission to detect and deter waste, fraud, and abuse of U.S. reconstruction funding.

## **SIGAR STAFF**

During this reporting period, SIGAR increased its staff from 133 to 147 federal employees. SIGAR extended offers of employment that will bring the number of full-time staff to 171 by the end of June 2012. SIGAR is on target to reach its current goal of 180 full-time employees.

This quarter, SIGAR had 33 authorized positions for personnel at the U.S. Embassy Kabul and 16 authorized at locations outside the U.S. Embassy. SIGAR has staff members stationed at seven locations across the country, including Kandahar and Bagram airfields, Camp Stone, Camp Leatherneck, Forward Operating Base Salerno, USFOR-A headquarters in Kabul, and the U.S. Consulate in Herat. SIGAR employs two local Afghans in its Kabul office to support investigations and has an open billet for a translator/Hotline administrator. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 7 personnel on temporary duty in Afghanistan for a total of 133 days.

#### **Quality Control**

U.S. Navy engineers from PRT Farah conduct a quality assessment mission at a construction site in Khak-e Safayed on March 29. Heightened security restrictions this quarter limited the ability of PRTs in some regions to travel and engage with their Afghan counterparts. (U.S. Air Force photo, SSgt Jonathan Lovelady)

# 3 RECONSTRUCTION UPDATE



“In Lisbon, we set a goal of transitioning full responsibility for security to Afghan security forces by 2014, and they’re making real progress toward that goal...Today, roughly 50 percent of the Afghan population lives in an area where they are taking responsibility for security. And this spring, the number will go up to 75 percent.”

—*U.S. Secretary of State  
Hillary Rodham Clinton*

Source: U.S. Secretary of State Hillary Rodham Clinton, “Remarks to the World Affairs Council 2012 NATO Conference,” 4/3/2012.

## OVERVIEW

Section 3 presents a holistic view of reconstruction efforts in Afghanistan during this reporting period. Updates on accomplishments, challenges, and local initiatives provide context for the oversight that is needed in reconstruction efforts. Sidebars throughout the section identify SIGAR audits—both completed and ongoing—related to those efforts; for ongoing audits, cross-references direct the reader to more information in Section 1.

Section 3 is divided into four subsections: Status of Funds, Security, Governance, and Economic and Social Development. The Security, Governance, and Economic and Social Development subsections mirror the three pillars reflected in the Prioritization and Implementation Plan announced by the Afghan government in 2010 and originally set forth in the 2008 Afghanistan National Development Strategy.

## TOPICS

Section 3 discusses four broad topics: historical and current information on funding, security conditions, governance-related activities, and economic and social development programs. The section also provides information on the progress of efforts to reduce corruption and combat the narcotics trade in Afghanistan.

The Status of Funds subsection contains a comprehensive discussion of the monies appropriated, obligated, and disbursed for Afghanistan reconstruction. It includes specific information on major U.S. funds and international contributions.

The Security subsection details U.S. efforts to bolster the Afghan National Security Forces and highlights developments affecting the security environment in the country. This subsection focuses on programming to build the capacity of the Afghan National Army and Afghan National Police. It reviews the status of private security contractors. It also discusses the ongoing battle against the narcotics trade in Afghanistan.

The Governance subsection provides an overview of the Afghan government's progress toward achieving good governance. This subsection focuses on the status of reconciliation and reintegration. It also reviews the level of Afghan government control in various eastern and southern provinces. It discusses capacity-building efforts, rule of law initiatives, and human rights development. This subsection also reviews U.S. and Afghan government initiatives to combat corruption.

The Economic and Social Development subsection looks at reconstruction activities by sector, ranging from energy to mining to health. It provides a snapshot of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, and delivering essential services.

## METHODOLOGY

Section 3 was compiled using information and data from open sources and U.S. agencies. All data and information is attributed to the reporting organization in endnotes to the text or notes to the tables and figures; because multiple organizations provide the data, numbers may conflict. Except for references to SIGAR audits or investigations in the text or in sidebars, SIGAR has not verified this data, and it does not reflect SIGAR opinions. For a complete discussion of SIGAR audits and investigations this quarter, see Section 1.

## Data Call

The data call is a series of questions directed to U.S. agencies about their contributions and involvement in reconstruction programming, and the state of affairs in Afghanistan. The U.S. agencies that participated in the data call for this quarterly report include the following:

- U.S. Department of State
- U.S. Department of Defense
- U.S. Agency for International Development
- U.S. Department of the Treasury

A preliminary draft of the report was provided to the responding agencies before publication to allow these agencies to verify and clarify the content of this section.

## Open-Source Research

Open-source research draws on the most current, publicly available data from reputable sources. A representative list of sources used in this quarterly report includes the following:

- U.S. agencies represented in the data call
- International Security Assistance Force
- United Nations (and relevant branches)
- International Monetary Fund
- World Bank
- Afghan ministries and other government organizations
- U.K. Foreign and Commonwealth Office
- Amnesty International

Most of the open-source research is included in the preliminary draft that is distributed to agencies participating in the data call for review before this report is published.



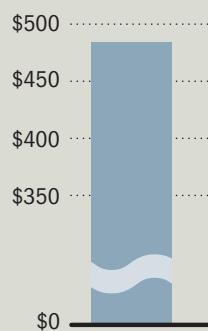
# GRAPHICS KEY

## UNDERSTANDING THE GRAPHICS AND DATA TERMS

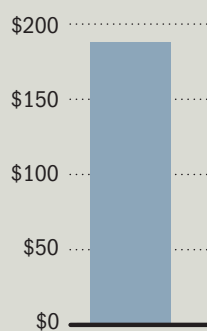
All figures and tables report data for this quarter, except where identified in titles or notes.

### BAR CHARTS

This report discusses many funds and projects with dollar values ranging from millions to billions. To provide an accurate graphical representation of these numbers, some bar graphs appear with a break (a wavy line) to indicate a jump between zero and a larger number.



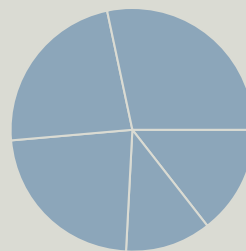
Bar chart with a break in scale



Bar chart without a break in scale

### UNITS IN BILLIONS AND MILLIONS

Because this report details funding in both billions and millions of dollars, it uses a visual cue to distinguish the two measurement units. Dollars reported in billions are represented in blue, and dollars reported in millions are depicted in green.



Pie Chart in Billions



Pie Chart in Millions

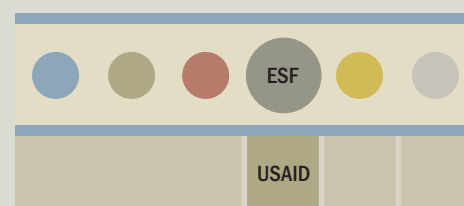
### CALENDAR AND SOLAR YEARS

The Afghan government follows the solar Hejri calendar, which began in 622 A.D. SIGAR converts these years to the Gregorian calendar. The current Afghan solar year is 1391; it began on March 21, 2012, and will end on March 20, 2013.



### FUNDING MARKERS

Funding markers identify individual funds discussed in the text. The agency responsible for managing the fund is listed in the tan box below the fund name.





## STATUS OF FUNDS

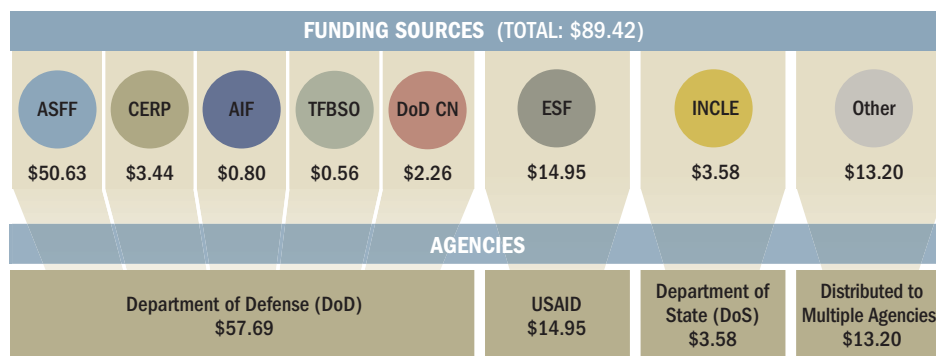
To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of March 31, 2012, the United States had appropriated approximately \$89.42 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$52.15 billion for security
- \$22.33 billion for governance and development
- \$5.97 billion for counter-narcotics efforts
- \$2.36 billion for humanitarian aid
- \$6.62 billion for oversight and operations

Figure 3.1 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.1

### U.S. FUNDS SUPPORTING AFGHANISTAN RECONSTRUCTION EFFORTS (\$ BILLIONS)



Note: Numbers affected by rounding.

a. Multiple agencies include DoJ, DoS, DoD, USAID, Treasury, and USDA.

Sources: DoD, responses to SIGAR data call, 4/19/2012, 4/18/2012, 4/17/2012, 4/11/2012, 3/30/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 4/17/2012, 4/6/2012, and 4/14/2011; Treasury, response to SIGAR data call, 4/20/2012; OMB, response to SIGAR data call, 4/17/2012; USAID, responses to SIGAR data call, 4/3/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

**ASFF:** Afghanistan Security Forces Fund

**CERP:** Commander's Emergency Response Program

**AIF:** Afghanistan Infrastructure Fund

**TFBSO:** Task Force for Business and Stability Operations

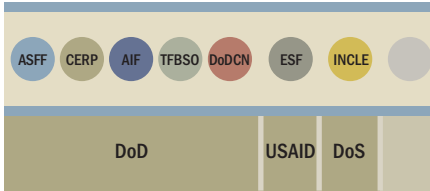
**DoD CN:** DoD Drug Interdiction and Counter-Drug Activities

**ESF:** Economic Support Fund

**INCLE:** International Narcotics Control and Law Enforcement

**Other:** Other Funding

# STATUS OF FUNDS



The amount provided to the seven major U.S. funds represents approximately 85.2% (nearly \$76.22 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 74.3% (nearly \$56.65 billion) has been obligated, and more than 63.0% (nearly \$48.04 billion) has been disbursed. The following pages provide additional details on these funds.

## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

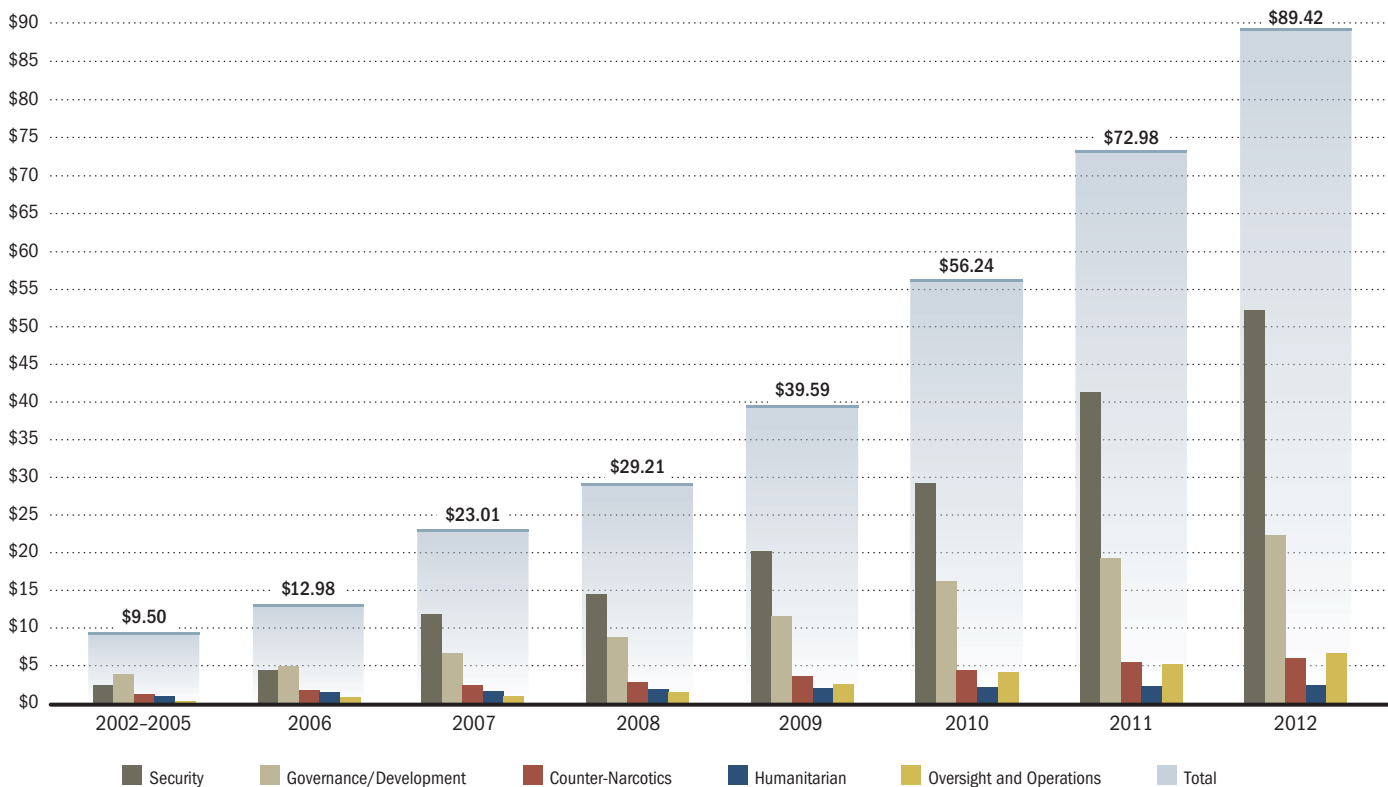
As of March 31, 2012, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$89.42 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counter-narcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

As of March 31, 2012, appropriations for Afghanistan relief and reconstruction for FY 2012 amounted to nearly \$16.44 billion, increasing total cumulative funding more than 22.5% over total cumulative funding through FY 2011. Figure 3.2 displays the increase in cumulative appropriations by funding category from FY 2002 to FY 2012. These figures reflect amounts as reported by the respective agencies and amounts appropriated in legislation.

In FY 2010, 2011, and 2012, Congress appropriated more than \$16 billion for relief and reconstruction, as shown in Figure 3.3 on the facing page. Together they make up more than 55.7% of the approximately \$89.42 billion appropriated since 2002.

FIGURE 3.2

### CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2012 (\$ BILLIONS)



Note: Numbers affected by rounding. Updated data resulted in a lower total for 2009.

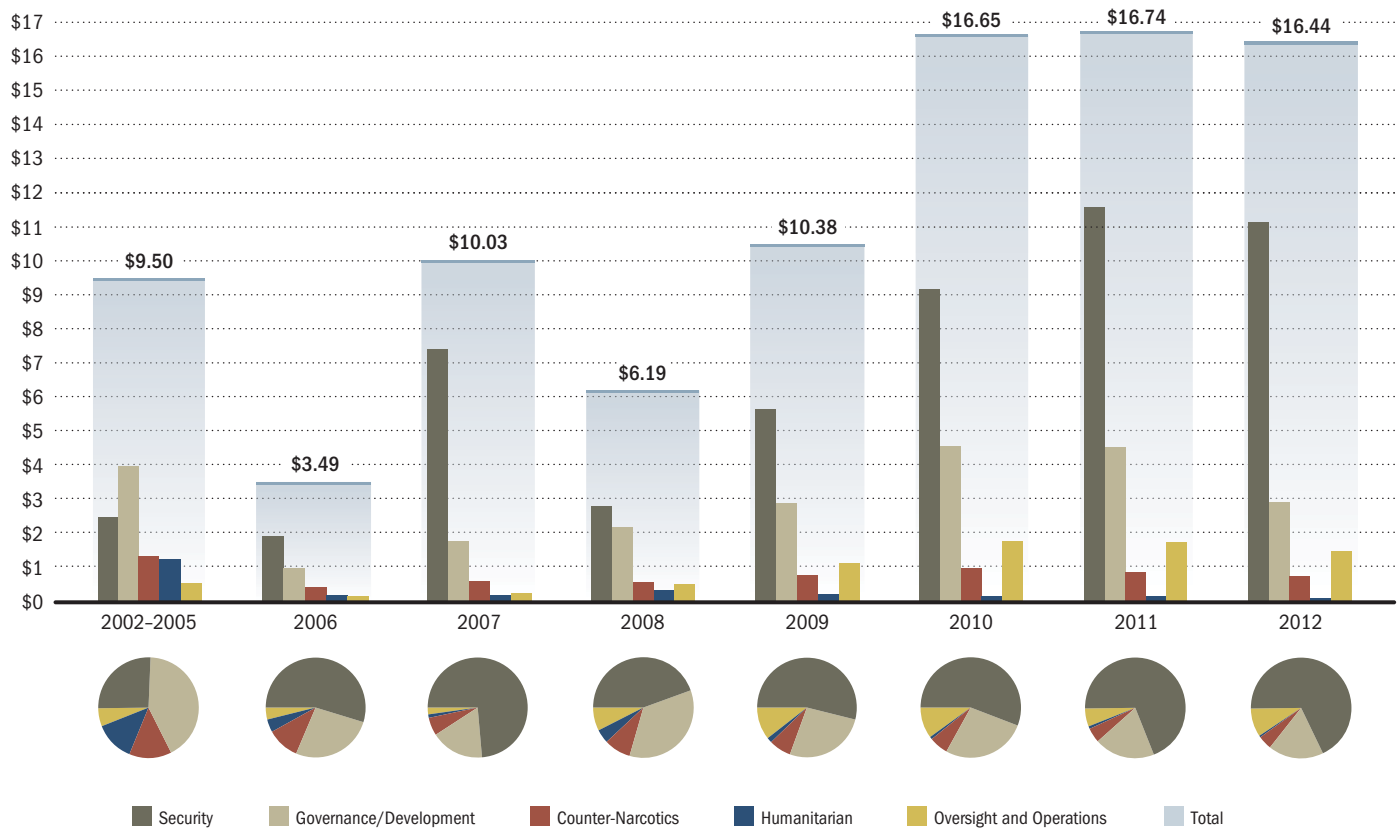
Sources: DoD, responses to SIGAR data call, 4/19/2012, 4/18/2012, 4/17/2012, 4/11/2012, 3/30/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 4/17/2012, 4/6/2012, and 4/14/2011; Treasury, response to SIGAR data call, 4/20/2012; OMB, response to SIGAR data call, 4/17/2012; USAID, responses to SIGAR data call, 4/3/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

# STATUS OF FUNDS

As in FY 2011, efforts to build, train, and equip the Afghan National Security Forces (ANSF) received the majority of FY 2012 reconstruction funding. Since FY 2006, virtually all reconstruction funding allocated for security was appropriated for the Afghanistan Security Forces Fund (ASFF). The \$11.20 billion appropriated for the ASFF for FY 2012 is approximately 68.1% of all FY 2012 reconstruction funding. Funding for the ASFF is trending downward as responsibility for security transitions to the ANSF. The amount appropriated for the ASFF in FY 2011 is a decrease of more than \$419.28 million from the nearly \$11.62 billion appropriated for the ASFF in FY 2011. On February 13, 2012, President Obama submitted to Congress his proposed budget for FY 2013. In it, he requested nearly \$5.75 billion for the ASFF—about half the amount appropriated for the ASFF in FY 2012.<sup>15</sup>

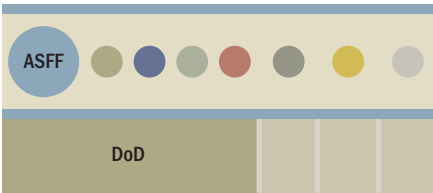
FIGURE 3.3

## APPROPRIATIONS BY FISCAL YEAR AND CATEGORY (\$ BILLIONS AND PERCENT)



Notes: Numbers affected by rounding. Updated data resulted in a lower total for 2009.

Sources: DoD, responses to SIGAR data call, 4/19/2012, 4/18/2012, 4/17/2012, 4/11/2012, 3/30/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 4/17/2012, 4/6/2012, and 4/14/2011; Treasury, response to SIGAR data call, 4/20/2012; OMB, response to SIGAR data call, 4/17/2012; USAID, responses to SIGAR data call, 4/3/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.



ASFF FUNDS TERMINOLOGY

DoD reported ASFF funds as available, obligated, or disbursed.

**Available:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DoD, response to SIGAR data call, 4/13/2010.

AFGHANISTAN SECURITY FORCES FUND

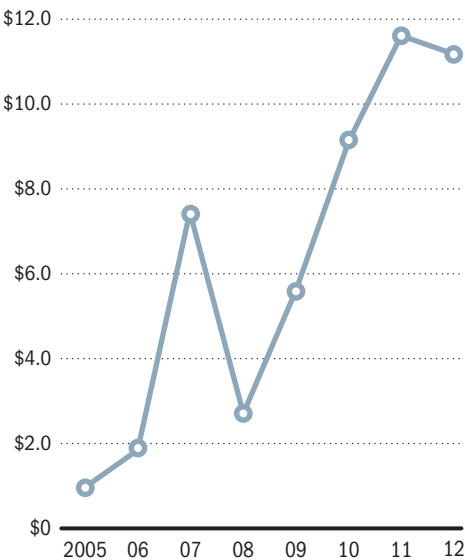
The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction.<sup>16</sup> The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO) Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan.<sup>17</sup>

The Consolidated Appropriations Act of 2012 provided \$11.20 billion for the ASFF, bringing the total cumulative appropriations for this fund to nearly \$50.63 billion.<sup>18</sup> As of March 31, 2012, more than \$37.00 billion of this amount had been obligated, of which more than \$32.59 billion had been disbursed.<sup>19</sup> Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DoD reported that cumulative obligations as of March 31, 2012, increased by more than \$1.31 billion over cumulative obligations as of December 31, 2011. Cumulative disbursements as of March 31, 2012, increased by more than \$1.63 billion over cumulative disbursements as of December 31, 2011.<sup>20</sup> Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.4

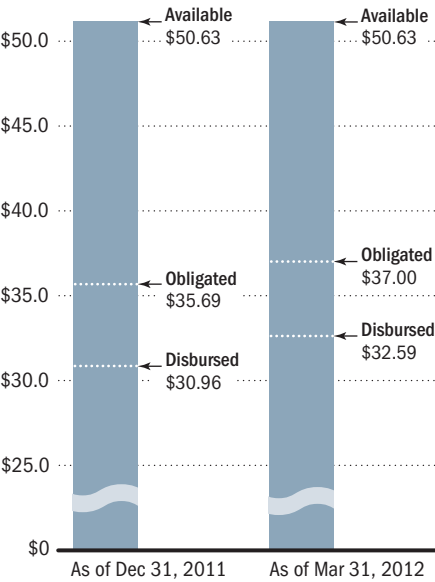
ASFF AVAILABLE FUNDS BY FISCAL YEAR  
(\$ BILLIONS)



Note: Numbers affected by rounding.  
Sources: DoD, response to SIGAR data call, 4/11/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.5

ASFF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers affected by rounding.  
Sources: DoD, responses to SIGAR data call, 4/11/2012 and 1/13/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

## ASFF Budget Activities

DoD allocates funds to three budget activity groups within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.<sup>21</sup>

As of March 31, 2012, DoD had disbursed more than \$32.59 billion for ANSF initiatives. Of this amount, nearly \$20.96 billion was disbursed for the ANA, and nearly \$11.47 billion was disbursed for the ANP; the remaining nearly \$0.17 billion was directed to related activities.<sup>22</sup>

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly \$9.07 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than \$3.84 billion—supported Sustainment, as shown in Figure 3.7.<sup>23</sup>

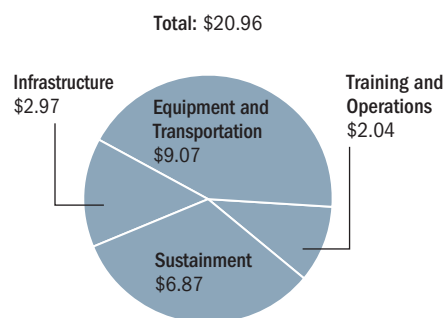
**Budget Activity Groups:** categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

**Sub-Activity Groups:** accounting groups that break down the command's disbursements into functional areas

Sources: DoD, "Manual 7110.1-M Department of Defense Budget Guidance Manual," accessed 9/28/2009; Department of the Navy, "Medical Facility Manager Handbook," p. 5, accessed 10/2/2009.

FIGURE 3.6

**ASFF DISBURSEMENTS FOR THE ANA**  
By Sub-Activity Group,  
FY 2005–March 31, 2012 (\$ BILLIONS)

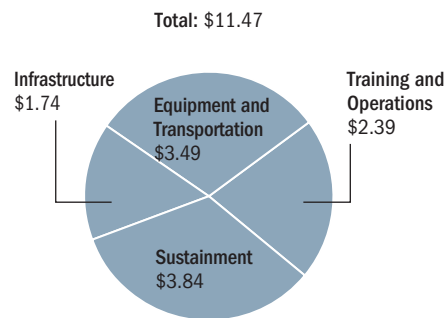


Note: Numbers affected by rounding.

Source: DoD, response to SIGAR data call, 4/11/2012.

FIGURE 3.7

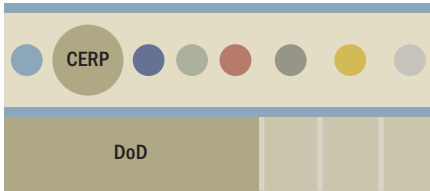
**ASFF DISBURSEMENTS FOR THE ANP**  
By Sub-Activity Group,  
FY 2005–March 31, 2012 (\$ BILLIONS)



Note: Numbers affected by rounding.

Source: DoD, response to SIGAR data call, 4/11/2012.





## CERP FUNDS TERMINOLOGY

OMB reported CERP funds as appropriated.

**Appropriations:** Total monies available for commitments

DoD reported CERP funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Sources: OMB, response to SIGAR data call, 4/19/2010; DoD, response to SIGAR data call, 4/14/2010.

## COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.<sup>24</sup> Projects with cost estimates exceeding \$1.00 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5.00 million require approval from the Deputy Secretary of Defense. CERP-funded projects may not exceed \$20.00 million.<sup>25</sup>

As of March 31, 2012, DoD reported that the total cumulative funding for CERP amounted to nearly \$3.44 billion.<sup>26</sup> DoD reported that of this amount, nearly \$2.21 billion had been obligated, of which nearly \$2.03 billion had been disbursed.<sup>27</sup> Figure 3.8 shows CERP appropriations by fiscal year.

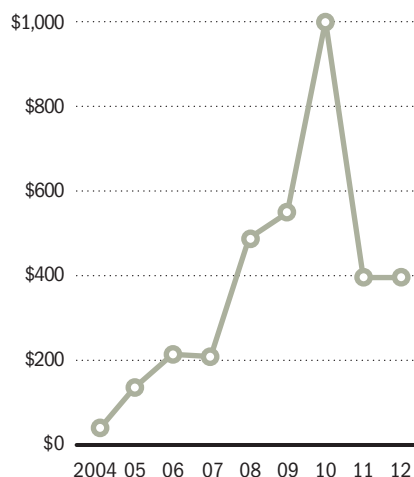
DoD reported that cumulative obligations as of March 31, 2012, increased by nearly \$9.61 million over cumulative obligations as of December 31, 2011. Cumulative disbursements as of March 31, 2012, increased by more than \$87.81 million over cumulative disbursements as of December 31, 2011.<sup>28</sup>

Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.8

### CERP APPROPRIATIONS BY FISCAL YEAR

(\$ MILLIONS)



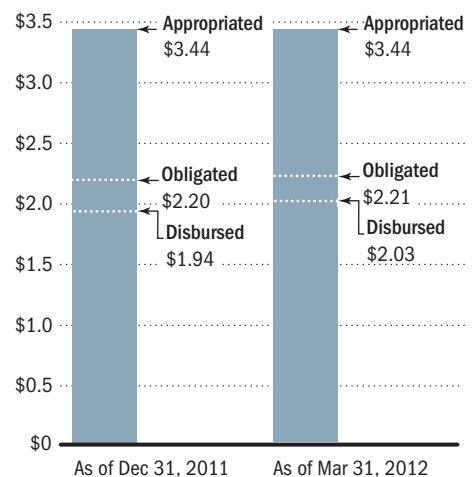
Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, response to SIGAR data call, 4/18/2012; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 4/17/2012; P.L. 112-10, 4/15/2011.

FIGURE 3.9

### CERP FUNDS, CUMULATIVE COMPARISON

(\$ BILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.

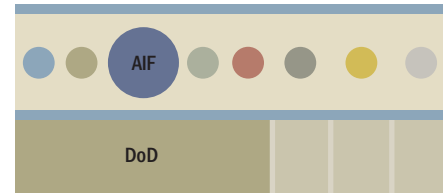
Sources: DoD, responses to SIGAR data call, 4/18/2012 and 1/17/2012; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 4/17/2012; P.L. 112-10, 4/15/2011.

## AFGHANISTAN INFRASTRUCTURE FUND

The Ike Skelton National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense is required to notify the Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.<sup>29</sup>

The Consolidated Appropriations Act of 2012 appropriated \$400.00 million for the AIF, bringing the total cumulative appropriations for this fund to \$800.00 million. DoD reported that as of March 31, 2012, approximately \$271.20 million of this amount had been obligated, of which approximately \$28.10 million had been disbursed.<sup>30</sup> Figure 3.10 shows AIF appropriations by fiscal year.

DoD reported that cumulative obligations as of March 31, 2012, increased by nearly \$46.55 million over cumulative obligations as of December 31, 2011. Cumulative disbursements as of March 31, 2012, increased by more than \$18.05 million over cumulative disbursements as of December 31, 2012.<sup>31</sup> Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.



### AIF FUNDS TERMINOLOGY

DoD reported AIF funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

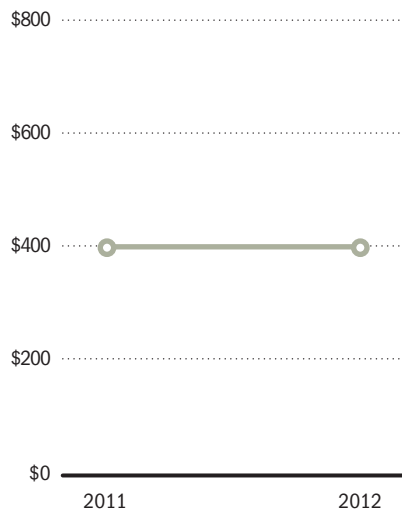
**Disbursements:** Monies that have been expended

Source: DoD, response to SIGAR data call, 4/13/2010.

FIGURE 3.10

### AIF APPROPRIATIONS BY FISCAL YEAR

(\$ MILLIONS)



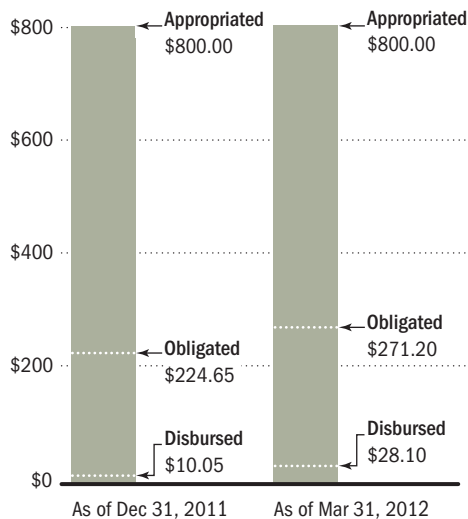
Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.11

### AIF FUNDS, CUMULATIVE COMPARISON

(\$ MILLIONS)

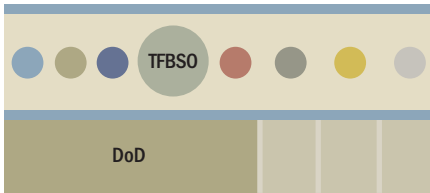


Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, responses to SIGAR data call, 4/19/2012 and 1/17/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

## SIGAR AUDIT

In an ongoing audit, SIGAR is focusing on selection, inter-agency coordination, and sustainability of projects in the Afghanistan Infrastructure Program (AIP), which is supported by the AIF. For more information, see Section 2, page 27.



## TFBSO FUNDS TERMINOLOGY

DoD reported TFBSO funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DoD, response to SIGAR data call, 4/13/2010.

## TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, the TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.<sup>32</sup>

For FY 2012, the TFBSO received funding of \$245.71 million, bringing the total cumulative funding for the task force to nearly \$559.21 million.<sup>33</sup> As of March 31, 2012, nearly \$359.69 million of this amount had been obligated, of which nearly \$165.46 million had been disbursed.<sup>34</sup> Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year.

DoD reported that cumulative obligations as of March 31, 2012, increased by nearly \$37.79 million over cumulative obligations as of December 31, 2011. Cumulative disbursements as of March 31, 2012, increased by more than \$28.55 million over cumulative disbursements as of December 31, 2011.<sup>35</sup>

Figure 3.13 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

FIGURE 3.12

### TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)

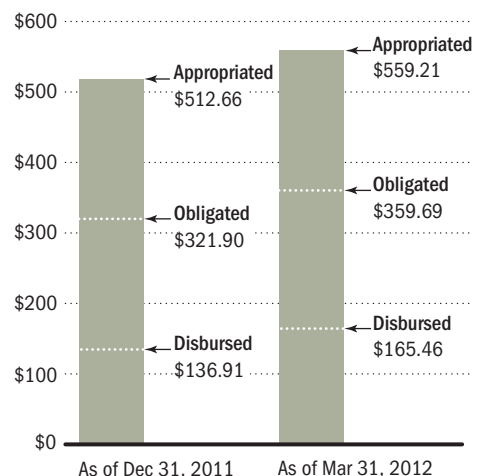


Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, response to SIGAR data call, 3/30/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.13

### TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, responses to SIGAR data call, 3/30/2012 and 1/2/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

## DoD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DoD's Drug Interdiction and Counter-Drug Activities fund (DoD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DoD uses the DoD CN to provide assistance to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.<sup>36</sup>

DoD CN funds are appropriated by Congress to a single budget line for all military services. To allow for greater execution flexibility, funds are reprogrammed from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies in the year of execution. The services and agencies have internal accounting systems to track obligations of the transferred funds. As a result, DoD reported DoD CN accounts for Afghanistan as a single figure for all appropriated, obligated, and disbursed amounts for each fiscal year.<sup>37</sup>

As of March 31, 2012, DoD reported that DoD CN received more than \$376.37 million for Afghanistan for FY 2012, bringing the total cumulative funding to more than \$2.26 billion since FY 2004. Figure 3.14 shows DoD CN appropriations by fiscal year, and Figure 3.15 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for DoD CN projects.

FIGURE 3.14

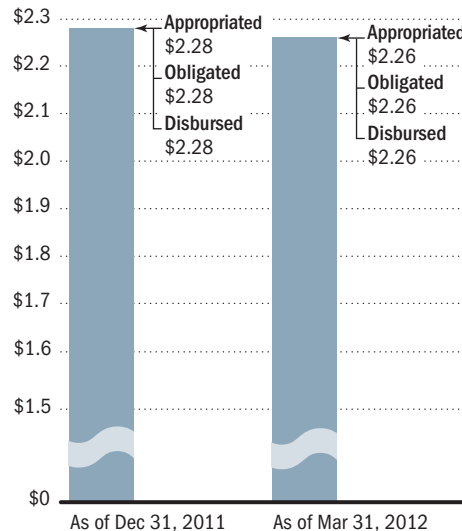
**DoD CN APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)



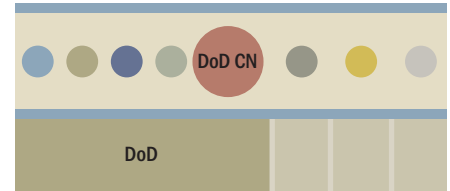
Notes: Numbers affected by rounding. Data may include inter-agency transfers.  
a. Updated data resulted in a lower appropriation figure.  
b. Decrease in appropriation figure reflects congressional marks and related reductions to planned Mi-17 acquisition strategy.  
Source: DoD, response to SIGAR data call, 4/17/2012.

FIGURE 3.15

**DoD CN FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



Note: Numbers affected by rounding. Data may include inter-agency transfers. Updated data resulted in lower figures.  
Source: DoD, responses to SIGAR data call, 4/17/2012 and 1/4/2012.



### DoD CN FUNDS TERMINOLOGY

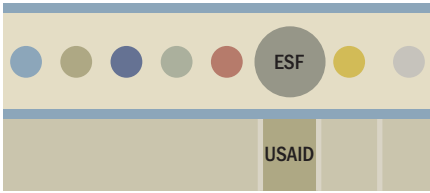
DoD reported DoD CN funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DoD, response to SIGAR data call, 4/13/2010.



## ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Sources: OMB, response to SIGAR data call, 4/19/2010; USAID, response to SIGAR data call, 4/15/2010.

## ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.<sup>38</sup>

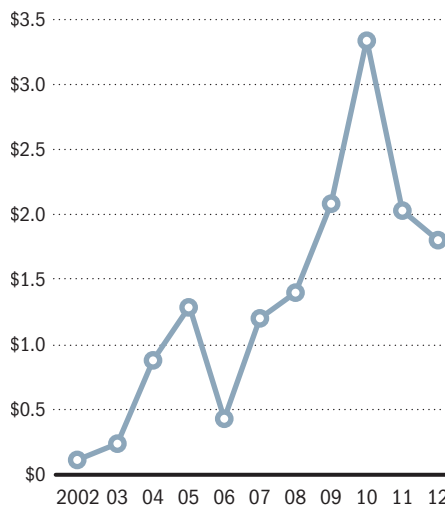
As of March 31, 2012, USAID reported that the total cumulative funding for the ESF amounted to more than \$14.95 billion. Of this amount, nearly \$11.47 billion had been obligated, of which nearly \$8.82 billion had been disbursed.<sup>39</sup> Figure 3.16 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of March 31, 2012, increased by nearly \$806.16 million over cumulative obligations as of December 31, 2011. Cumulative disbursements as of March 31, 2012, increased by nearly \$277.19 million over cumulative disbursements as of December 31, 2011.<sup>40</sup> Figure 3.17 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.16

### ESF APPROPRIATIONS BY FISCAL YEAR

(\$ BILLIONS)

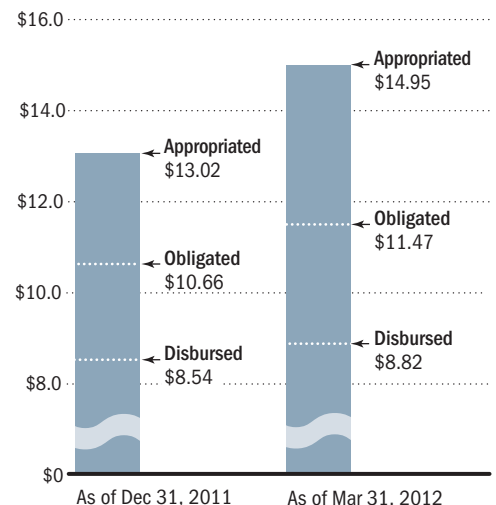


Notes: Numbers affected by rounding. Data may include inter-agency transfers. DoS shifted \$100 million from FY 2012 to FY 2011 to increase FY 2012 funds available for Egypt.  
Sources: USAID, response to SIGAR data call, 4/3/2012; OMB, response to SIGAR data call, 4/17/2012.

FIGURE 3.17

### ESF FUNDS, CUMULATIVE COMPARISON

(\$ BILLIONS)



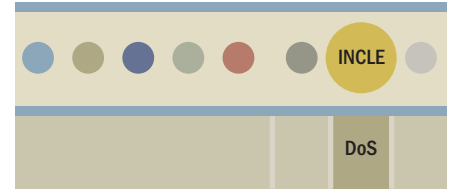
Notes: Numbers affected by rounding. Data may include inter-agency transfers.  
Sources: USAID, responses to SIGAR data call, 4/3/2012 and 1/5/2012; OMB, response to SIGAR data call, 4/17/2012.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.<sup>41</sup>

As of March 31, 2012, DoS reported that the total cumulative funding for INCLE amounted to nearly \$3.58 billion. Figure 3.18 displays INCLE allotments by fiscal year. Of this amount, nearly \$3.08 billion had been obligated, of which nearly \$2.15 billion had been liquidated.<sup>42</sup>

DoS reported that cumulative obligations as of March 31, 2012, increased by more than \$228.23 million over cumulative obligations as of December 31, 2011. Cumulative liquidations as of March 31, 2012, increased by more than \$78.37 million over cumulative liquidations as of December 31, 2011.<sup>43</sup> Figure 3.19 provides a cumulative comparison of amounts allotted, obligated, and liquidated for INCLE.



### INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as allotted, obligated, or liquidated.

**Allotments:** Total monies available for commitments

**Obligations:** Commitments to pay monies

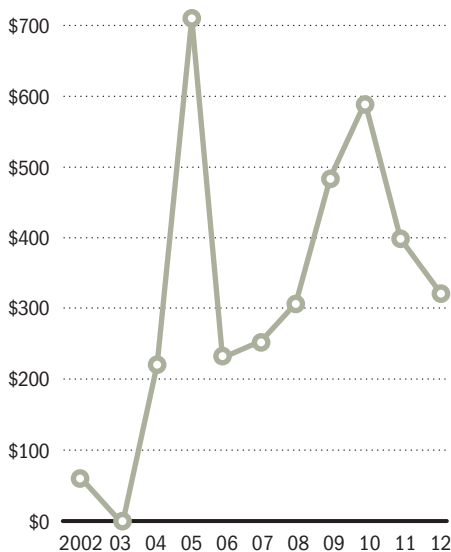
**Liquidations:** Monies that have been expended

Source: DoS, response to SIGAR data call, 4/9/2010.

FIGURE 3.18

### INCLE ALLOTMENTS BY FISCAL YEAR

(\$ MILLIONS)

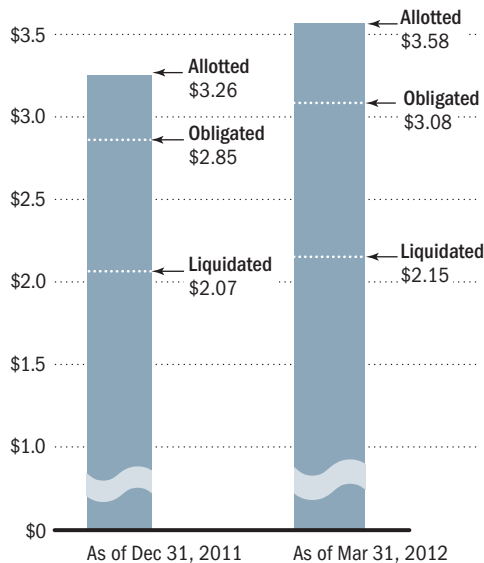


Notes: Numbers affected by rounding. Data may include inter-agency transfers. Updated data resulted in a lower appropriation figure for FY 2005 than reported last quarter.  
Sources: DoS, responses to SIGAR data call, 4/17/2012 and 4/6/2012.

FIGURE 3.19

### INCLE FUND, CUMULATIVE COMPARISON

(\$ BILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers.  
Sources: DoS, responses to SIGAR data call, 4/17/2012 and 4/6/2012.

## INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

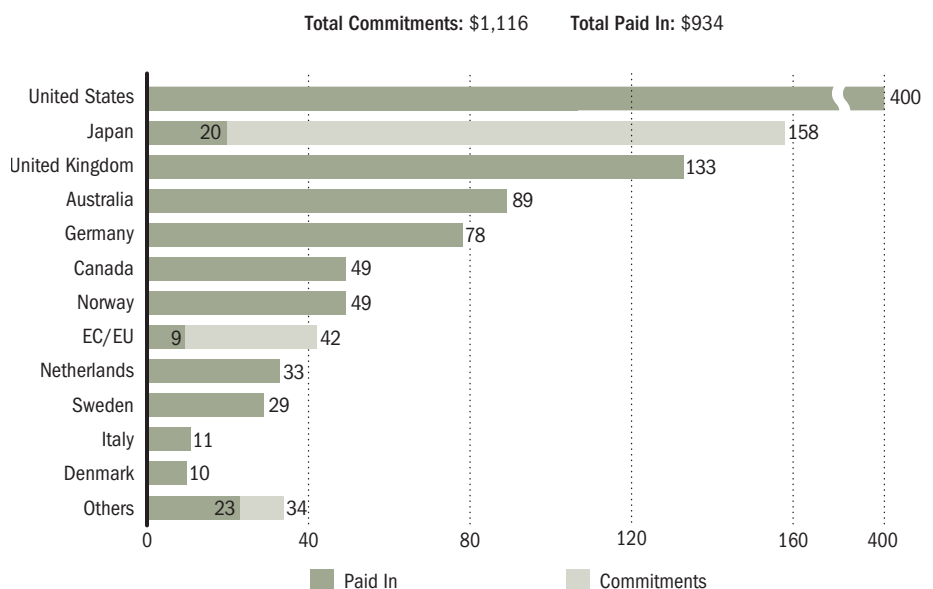
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>44</sup>

### Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to March 19, 2012, the World Bank reported that 33 donors had pledged more than \$5.35 billion, of which more than \$5.17 billion had been paid in.<sup>45</sup> According to the World Bank, donors have pledged \$1.12 billion to the ARTF for the past Afghan fiscal year—solar year 1390—which ran from March 21, 2011, to March 20, 2012.<sup>46</sup> Figure 3.20 shows the 12 largest donors to the ARTF for SY 1390.

FIGURE 3.20

**ARTF CONTRIBUTIONS FOR SY 1390 BY DONOR (\$ MILLIONS)**  
As of March 19, 2012



Notes: Numbers affected by rounding. SY = solar year. SY 1390 ran from 3/21/2011 to 3/20/2012. "Others" includes eight donors. Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 19, 2012," p. 1.



# STATUS OF FUNDS

As of March 19, 2012, the United States had paid in its entire ARTF commitment through solar year 1390—more than \$1.37 billion.<sup>47</sup> The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 46% of its total funding, as shown in Figure 3.21.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>48</sup> As of March 19, 2012, according to the World Bank, nearly \$2.45 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.<sup>49</sup> The RC Window supports the operating costs of the Afghan government because the government's domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives sufficient funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.<sup>50</sup>

The Investment Window supports the costs of development programs. As of March 19, 2012, according to the World Bank, more than \$2.15 billion had been committed for projects funded through the Investment Window, of which more than \$1.61 billion had been disbursed. The World Bank reported 23 active projects with a combined commitment value of nearly \$1.15 billion, of which approximately \$607.67 million had been disbursed.<sup>51</sup>

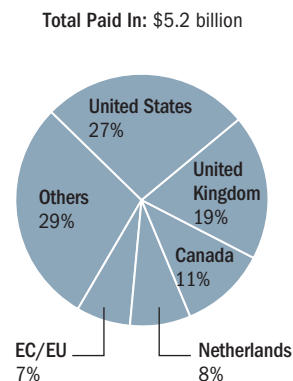
## Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.<sup>52</sup> Since 2002, donors have pledged nearly \$2.13 billion to the LOTFA, of which more than \$2.12 billion had been paid in as of September 30, 2011, according to the most recent data available.<sup>53</sup>

The LOTFA's sixth support phase started on January 1, 2011, and runs through March 31, 2013. In the first nine months of 2011, the LOTFA had transferred more than \$356.35 million to the Afghan government to cover ANP salaries, nearly \$11.60 million for Central Prisons Directorate staff remunerations, and an additional \$6.67 million for capacity development and other LOTFA initiatives.<sup>54</sup> As of September 30, 2011, donors had committed more than \$598.35 million to the LOTFA for Phase VI. Of that amount, the United States had committed more than \$257.07 million, and Japan had committed \$240.00 million. Their combined commitments make up more than 83% of LOTFA Phase VI commitments as of September 30, 2011.<sup>55</sup> The United States had contributed nearly \$812.74 million to the LOTFA since the fund's inception.<sup>56</sup> Figure 3.22 shows the four largest donors to the LOTFA since 2002, based on the latest data available.

FIGURE 3.21

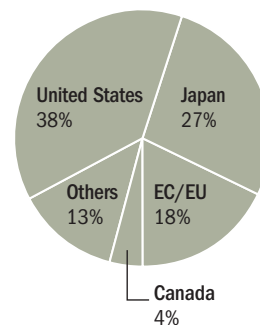
ARTF CONTRIBUTIONS PAID IN BY DONORS, SY 1381–MARCH 19, 2012 (PERCENT)



Notes: Numbers affected by rounding. SY 1381 = 3/21/2002–3/20/2003. “Others” includes 28 donors. Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of March 19, 2012,” p. 5.

FIGURE 3.22

DONORS’ CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF SEPTEMBER 30, 2011 (PERCENT)



Notes: Numbers affected by rounding. EC/EU = European Commission/European Union. Source: UNDP, “LOTFA Phase VI Quarterly Progress Report Q3/2011,” 10/27/2011; SIGAR analysis of UNDP’s quarterly and annual LOTFA reports, 1/20/2012.



## SECURITY

As of March 31, 2012, the U.S. Congress had appropriated more than \$52.1 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$50.6 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided through the Combined Security Transition Command - Afghanistan (CSTC-A). They were used to build, equip, train, and sustain the ANSF—which consists of the Afghan National Army (ANA) and the Afghan National Police (ANP)—and for related activities such as detainee operations. (For more information on detainee operations, see “Governance.”) Of the \$50.6 billion appropriated for the ASFF, approximately \$37.0 billion had been obligated, and \$32.6 billion had been disbursed, as of March 31, 2012.<sup>57</sup>

This quarter, the U.S. Department of Defense (DoD) released its FY 2013 budget request for the ASFF. This request, which is for 49% less than the amount appropriated for FY 2012, marks a shift in emphasis as the building and equipping phase draws to a close and the focus turns to professionalizing and sustaining the ANSF.<sup>58</sup>

This section discusses assessments of the ANSF and the ministries of Defense and Interior, and gives an overview of U.S. funds used to support the ANSF. It also provides an update on efforts to combat the cultivation and trade of illicit narcotics in Afghanistan.

### FY 2013 BUDGET REQUEST FOR THE ASFF

The ASFF has provided the resources needed to train and equip 352,000 members of the ANSF and 30,000 members of the Afghan Local Police (ALP), according to DoD. For FY 2013, DoD requested \$5.75 billion to fund the ASFF—a significant decrease from the \$11.2 billion appropriated for FY 2012.<sup>59</sup> Although in most funding categories the amounts requested were reduced from prior-year levels, the most dramatic decreases were for infrastructure and equipment.<sup>60</sup> For example, the amount requested for ANA infrastructure was reduced by 85% from the amount appropriated for FY 2012, and the amount for ANP infrastructure by 96%. By contrast, the amount requested for sustainment efforts was reduced by only 17% for the ANA and by 27% for the ANP, as shown in Table 3.1 on the following page.

TABLE 3.1

AFGHANISTAN SECURITY FORCES FUND			
	Consolidated Appropriations Act, 2012 (P.L. 112-74)	FY 2013 Overseas Contingency Operations (OCO) Request	Change
<b>MoD/ANA</b>			
Infrastructure	1,304,350,000	190,000,000	-85%
Equipment and Transportation	1,432,490,000	241,521,000	-83%
Training and Operations	751,073,000	758,380,000	+1%
Sustainment	3,033,984,000	2,523,825,000	-17%
<b>Mol/ANP</b>			
Infrastructure	1,128,584,000	50,000,000	-96%
Equipment and Transportation	601,915,000	84,859,000	-86%
Training and Operations	1,102,430,000	569,868,000	-48%
Sustainment	1,800,425,000	1,305,950,000	-27%
<b>Related Activities</b>			
Infrastructure	15,000,000	1,200,000	-92%
Equipment and Transportation	1,218,000	1,239,000	+2%
Training and Operations	7,344,000	4,000,000	-46%
Sustainment	21,187,000	18,325,000	-14%
<b>TOTAL</b>	<b>11,200,000,000</b>	<b>5,749,167,000</b>	<b>-49%</b>

Notes: Numbers affected by rounding. MoD = Ministry of Defense. Mol = Ministry of Interior.

Sources: P.L. 112-74, 12/23/2011, p. 58, accessed 4/13/2012; U.S. Congress, "Joint Explanatory Statement of the Committee of Conference," H. Rept. 112-331, accessed 4/13/2012; DoD, "Justification for FY 2013 Overseas Contingency Operations, Afghanistan Security Forces Fund (ASFF)," 2/2012, pp. 2-3.

## KEY EVENTS THIS QUARTER

This quarter, several events affected the security environment in Afghanistan, strained U.S.-Afghan relations, and hampered U.S. and coalition efforts to train and advise the ANSF. This quarter also marked the first phase of transitioning security responsibilities for project sites and convoys from private security contractors (PSCs) to the Afghan Public Protection Force (APPF). Assessments during the quarter showed that the ANSF and the ministries of Defense and Interior have continued to make progress toward operating effectively and independent of coalition support.



**A private security contractor** passes a rifle to a member of the Afghan Public Protection Force, symbolizing the transfer of responsibility for security at the Tarakhil Power Plant on March 15. This quarter, the Afghan government began to implement its strategy to disband all national and international PSCs. (USAF photo, SSgt Terri L. Barriere)

## Korans Burning Incident and Effects

In February, International Security Assistance Force (ISAF) personnel inadvertently burned Islamic religious materials, including Korans. Demonstrations and riots sparked by the incident resulted in the deaths of 32 Afghans and attacks on ISAF troops by ANSF personnel.<sup>61</sup>

## ANSF Personnel Attacks on Coalition Troops

Attacks on ISAF troops by ANSF personnel—what DoD calls “green-on-blue” incidents—are on the rise, according to DoD.<sup>62</sup> From May 2007 to January 2012, approximately 70 coalition personnel had been killed and 110 had been wounded

in 42 such attacks, according to testimony by DoD officials before the House Armed Services Committee on February 1.<sup>63</sup>

Since the start of the year, 13 ISAF troops had been killed by ANSF personnel, according to testimony on March 20 by ISAF Commander General John R. Allen before the same committee.<sup>64</sup> He noted that some of the attacks by ANSF personnel may have been motivated by the burning of Korans by ISAF personnel in February.<sup>65</sup> In one such attack this quarter, an ANP intelligence officer killed two U.S. military officers serving as advisors at the Ministry of Interior (MoI) headquarters. That incident prompted ISAF to temporarily recall its personnel from Afghan ministries.<sup>66</sup>

On March 27, the Chairman of the Joint Chiefs of Staff, General Martin E. Dempsey, stated that the North Atlantic Treaty Organization (NATO) will have to build up Afghan counter-intelligence capabilities to prevent insurgents from infiltrating the ANSF to kill coalition personnel. General Dempsey noted that an eight-step vetting process is in place, which includes obtaining letters from tribal leaders and conducting biometric screening. He also stated that resolving the problem will require the Afghans to adopt the same vetting process used by the United States. According to the General, the NATO Training Mission - Afghanistan (NTM-A) has expanded counter-intelligence training and bolstered the vetting process.<sup>67</sup>

## Attack on Civilians in Kandahar

On March 23, 2012, a U.S. Army staff sergeant was formally charged under the U.S. Code of Military Justice with 17 counts of premeditated murder. The charges alleged that on March 11 the accused killed 17 residents in the Panjwai district of Kandahar and tried to kill 6 others.<sup>68</sup> Following the incident, initial media reports quoted Afghan witnesses who said that U.S. forces entered homes in a village during the early hours and opened fire on civilians.<sup>69</sup> DoD officials stated that only one U.S. soldier was suspected in the attack and that an investigation was ongoing.<sup>70</sup> In the aftermath of the tragedy, several high-ranking U.S. officials—including President Barack Obama and ISAF Commander General Allen—offered their condolences; in accordance with cultural norms in Afghanistan, compensation payments were made to the families of the victims.<sup>71</sup>

## Private Security Contractors and the Afghan Public Protection Force

This quarter, the Afghan government began transitioning responsibility for the security provided by PSCs for development and humanitarian projects to the MoI's APPF.<sup>72</sup> This marked the first phase of a bridging strategy to implement President Karzai's 2010 decree to disband all national and international PSCs, as noted in the January 2012 SIGAR quarterly report. As part of the transition, several companies that had been providing security for development projects registered with the MoI as a **risk management company (RMC)**. RMCs work with and advise the APPF and their clients on security-related issues but do not provide security.<sup>73</sup> Another part of the transition is the recruitment into the APPF

### SIGAR AUDIT

In a June 2011 special report to Congress on contracting in Afghanistan, SIGAR found that Afghan deaths caused by PSC personnel had not been systematically tracked and that casualty data may not be complete. For details, see SIGAR Audit 11-1SP, "Analysis of Recommendations Concerning Contracting in Afghanistan, as Mandated by Section 1219 of the Fiscal Year 2011 NDAA," at [www.sigar.mil](http://www.sigar.mil).

**Risk management company (RMC):** An organization that advises on the security of sites, buildings, people, logistics, transportation of goods and equipment, and contract management of security service operations based on professional norms derived from industry best practices. RMCs do not provide security services: they provide training and security advisory services to the APPF. They also contract for such services with the APPF on behalf of organizations and individuals.

Source: GIRoA, APPF, "For PSCs/RMCs," accessed 3/22/2012.

# SECURITY

TABLE 3.2

ANA UNIT ASSESSMENTS: QUARTERLY CHANGE																		
Rating	111th Division		201st Corps		203rd Corps		205th Corps		207th Corps		209th Corps		215th Corps		Commando		HSSB	
	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012
Independent with Advisors	0	1	0	2	1	1	3	7	0	0	2	3	0	0	0	0	1	1
Effective with Advisors	9	19	15	19	12	16	17	18	5	13	9	13	11	21	5	0	2	3
Effective with Partners	1	4	11	10	25	29	19	18	8	11	8	9	14	10	3	0	0	0
Developing with Partners	1	1	2	3	2	3	2	1	2	6	1	3	4	1	5	0	0	0
Established	0	0	0	0	0	0	0	1	1	0	0	1	1	1	0	0	0	0
Not Assessed	9	0	1	1	0	0	0	0	1	0	0	0	1	1	0	0	0	0
<b>Total Units Assessed</b>	<b>11</b>	<b>25</b>	<b>28</b>	<b>34</b>	<b>40</b>	<b>49</b>	<b>41</b>	<b>45</b>	<b>16</b>	<b>30</b>	<b>20</b>	<b>29</b>	<b>30</b>	<b>33</b>	<b>13</b>	<b>0</b>	<b>3</b>	<b>4</b>

Notes: Rating categories are explained on page 63. HSSB = Headquarters Security and Support Brigade (ministry-level unit).

Sources: ISAF-IJC, responses to SIGAR data call, 3/30/2012 and 1/3/2012.

## SIGAR AUDIT

In an ongoing audit, SIGAR is identifying the PSCs used by USAID's implementing partners and determining their costs and status in light of the Afghan government's intention to transfer PSC security functions to the APPF. For details, see Section 2, page 26.

of Afghan guards who had been trained and employed by PSCs by offering them salaries and benefits commensurate with those they received as private guards.<sup>74</sup>

As of March 27, 2012, the APPF had 6,762 personnel, according to CSTC-A. Of those, 5,722 were assigned and present for duty, including 319 national and zone headquarters personnel who are funded through the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>75</sup>

This quarter, the United Nations (UN) Secretary-General noted that the Afghan government's decision to replace PSCs with the APPF had "met legal and operational difficulties."<sup>76</sup> He also noted that the UN and diplomatic missions in Afghanistan would be allowed to continue using their current security within their compounds, but that the government's demand for the removal of security barriers on Kabul roads "will inevitably compromise the level of mandatory minimum operating security standards."<sup>77</sup>

## ANSF ASSESSMENT

This quarter, the operational effectiveness of the ANA continued to improve, according to the ISAF Joint Command (IJC). This assessment was based on a February 2012 Commander's Unit Assessment Tool (CUAT) report, which rated 249 units of the ANA's six corps, as well as its Special Operations Force, 111th Capital Division, and Headquarters Security and Support Brigade. The assessment reported a total of 251 units—an increase of 35 since the December 2011 report (2 were not assessed this quarter). In the highest rating categories, 15 units were rated "independent with advisors" (compared with 7 in the December report), as shown in Table 3.2. In addition, 122 were rated "effective with advisors" (compared with 85), and 91 were rated "effective with partners" (compared with 89). Nearly half of those rated "independent" were in the 205th Corps.<sup>78</sup>

The operational effectiveness of the ANP also continued to improve this quarter. Within the three main ANP components—the Afghan Uniform Police (AUP),

TABLE 3.3

ANP UNIT ASSESSMENTS: QUARTERLY CHANGE						
Rating	AUP		ABP		ANCOP	
	Dec 2011	Feb 2012	Dec 2011	Feb 2012	Dec 2011	Feb 2012
Independent with Advisors	19	31	6	4	4	6
Effective with Advisors	106	144	20	26	8	4
Effective with Partners	91	68	14	10	3	6
Developing with Partners	19	24	4	7	3	3
Established	12	11	2	2	1	1
Not Assessed	68	57	0	4	2	2
<b>Total Units Assessed</b>	<b>247</b>	<b>278</b>	<b>46</b>	<b>49</b>	<b>19</b>	<b>20</b>

Notes: Rating categories are explained on this page. AUP = Afghan Uniform Police. ABP = Afghan Border Police. ANCOP = Afghan National Civil Order Police.

Sources: ISAF-IJC, responses to SIGAR data call, 3/30/2012 and 1/3/2012.

the Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—41 units received the “independent with advisors” rating, according to IJC.<sup>79</sup> Most were rated “effective with advisors” (42%) or “effective with partners” (20%), as shown in Table 3.3.

## CUAT Ratings

In assessing the capability of ANA and ANP units, ISAF’s CUAT uses five ratings:<sup>80</sup>

- **Independent with Advisors:** plans and executes missions, maintains command and control of subordinates, calls on and coordinates quick reaction forces and medical evacuations, exploits intelligence, and operates in a wider intelligence system.
- **Effective with Advisors:** conducts effective planning, synchronizing, directing, and reporting of operations and status with only limited, occasional guidance from coalition forces and enablers as needed, and occasional augmentation from coalition forces.
- **Effective with Partners:** requires routine advising for planning, synchronizing, directing, and reporting operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Unit enablers augmented by coalition force enablers.
- **Developing with Partners:** requires partnering and assistance for planning, synchronizing, directing, and reporting operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Some effective unit enablers but most enablers and support from coalition forces.
- **Established:** beginning to organize but barely capable of planning, synchronizing, directing, or reporting operations and status, even with the assistance of a partner unit; barely able to coordinate and communicate with other units. Few effective unit enablers; most support. Coalition forces provide most support.

## SIGAR AUDIT

In a June 2010 audit, SIGAR made 10 recommendations to IJC and 3 to NTM-A/CSTC-A to improve the accuracy and usefulness of the Capability Milestone (CM) rating system. During the audit, IJC replaced the CM rating system with the Commander’s Unit Assessment Tool. For details, see SIGAR Audit 10-11, “Actions Needed to Improve the Reliability of Afghan Security Force Assessments,” at [www.sigar.mil](http://www.sigar.mil).



## MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

Assessments of the Ministry of Defense (MoD) and the Ministry of Interior (MoI) this quarter showed continued progress. To rate the operational capability of these ministries, the NATO Training Mission - Afghanistan (NTM-A) uses the Capability Milestone (CM) rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices), using four primary and two secondary ratings:<sup>81</sup>

- CM-1A: capable of autonomous operations
- CM-1B: capable of executing functions with coalition oversight only
- CM-2A: capable of executing functions with minimal coalition assistance
- CM-2B: can accomplish its mission but requires some coalition assistance
- CM-3: cannot accomplish its mission without significant coalition assistance
- CM-4: exists but cannot accomplish its mission

At the MoD, 38 of 47 staff sections and cross-functional areas were assessed this quarter. Of those, 26% had achieved a rating of CM-2A (the same percentage as last quarter), and 37% had achieved a rating of CM-2B (a 4% increase over last quarter), as shown in Figure 3.23. Eight staff sections and cross-functional areas improved (two achieved a CM-1B rating—the second highest rating—bringing the number rated CM-1B to 3), and 29 were stable. One section regressed—the office of the Assistant Minister of Defense for Intel Policy, which fell two levels from a CM-2B last quarter to a CM-4 (the lowest rating). Three of the nine sections that were not assessed this quarter were rated CM-4 last quarter.<sup>82</sup>

At the MoI, 29 of 30 staff sections were assessed this quarter; 20% had achieved a rating of CM-2A or higher—a 5% increase from last quarter. Seven staff sections improved, 19 were stable, and none regressed.<sup>83</sup> Most staff sections were rated CM-2B (8 sections) or CM-3 (11 sections), as shown in Figure 3.23.

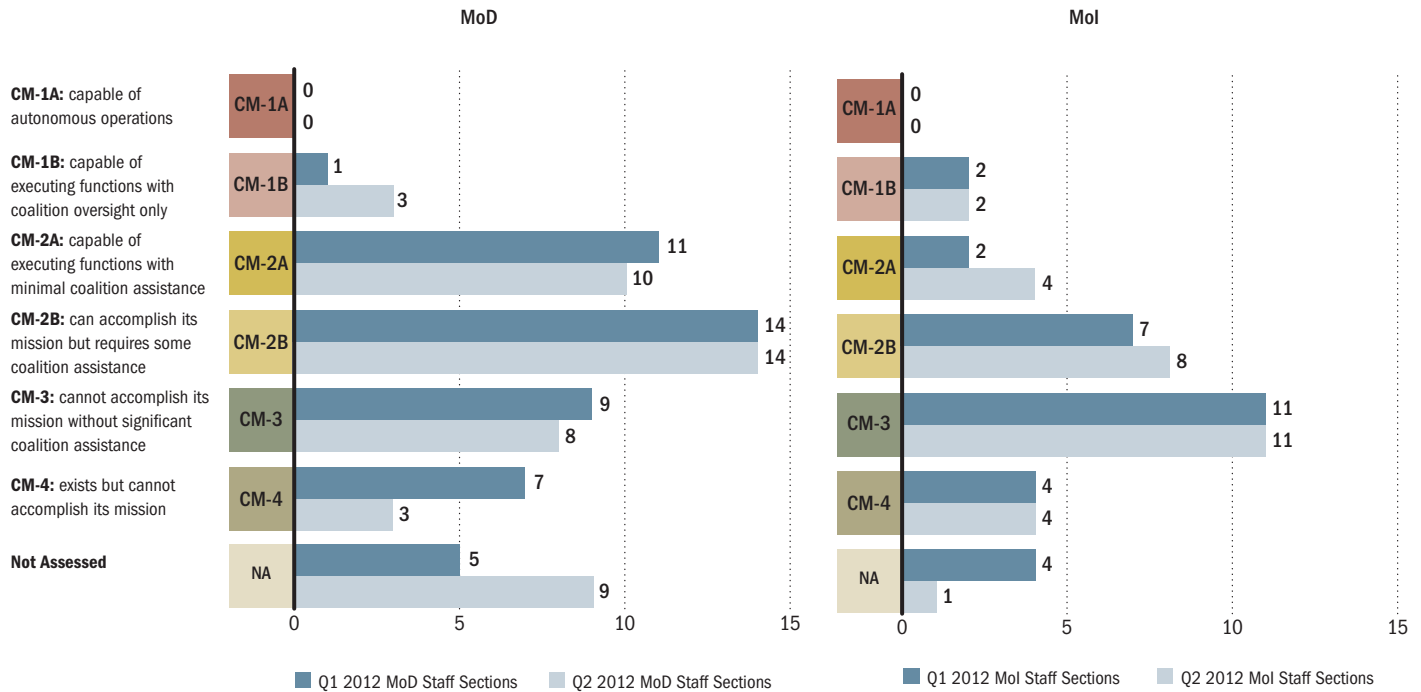
## ANSF STRENGTH GOALS

This quarter, the force strength of the ANSF was 337,516 (187,874 in the ANA; 149,642 in the ANP).<sup>84</sup> In June 2011, the Afghan government approved an increase to 352,000 by October 2012—195,000 in the ANA and 157,000 in the ANP. According to DoD, the ANA and ANP are on track to achieve those goals.<sup>85</sup> Table 3.4 shows the progress in achieving strength goals since last quarter.

On April 10, 2012, the Afghan Minister of Defense and the Minister of Interior met with the U.S. Secretary of Defense.<sup>86</sup> Among topics discussed at their meeting was the possibility that the ANSF will need to undergo a significant reduction—possibly to 230,000 personnel—after the NATO mission ends in 2014. According to media reports, the reductions projected beyond 2014 were based on plans to ensure that the ANSF can defend Afghanistan and remain sustainable as international contributions decrease.<sup>87</sup>

FIGURE 3.23

## CAPABILITY MILESTONE RATINGS OF MoD AND MoI: QUARTERLY CHANGE



Sources: CSTC-A, responses to SIGAR data call, 3/27/2012 and 1/3/2012.

TABLE 3.4

### ANSF FORCE STRENGTH AGAINST TARGET GOALS

Priority	Targets	Status	Change Since Last Quarter
Afghan National Army	195,000 troops by 10/2012	187,874 personnel (as of 3/2012)	+11,520
Afghan National Police	157,000 personnel by 10/2012	149,642 personnel (as of 3/2012)	+5,845

Sources: DoD, "Report on Progress Toward Security and Stability in Afghanistan," 10/2011, p. 4; CSTC-A, responses to SIGAR data call, 3/27/2012 and 1/3/2012; ISAF-IJC, ANP Personnel Status Report, 2/2012.

## SECURITY HIGHLIGHTS

This quarter, the UN released a report on civilian casualties that noted an ongoing rise in civilian deaths. The transition to ANSF-led security in areas throughout Afghanistan continued to progress as planned.

## Transition Progress

In his March 5, 2012 report to the UN Security Council, the UN Secretary-General noted that the transition to ANSF-led security had progressed as planned in the 18 areas that comprise the second tranche of transition areas.<sup>88</sup> According to DoD, the ANSF is providing effective security in these transitioning areas and is demonstrating its readiness to assume responsibility for a third tranche. Approximately 50% of Afghanistan's population lives in the areas in Tranches 1 and 2; transition is expected to occur in five tranches.<sup>89</sup> The United Nations Assistance Mission in Afghanistan (UNAMA) provides logistical support to the Afghan government's Transition Coordination Commission, which assesses progress in transition areas, according to the UN Secretary-General.<sup>90</sup>

## Civilian Casualties

This quarter, UNAMA noted that civilian casualties had risen for the fifth year in a row. In its "2011 Annual Report on Protection of Civilians in Armed Conflict," UNAMA cited an 8% rise in civilian deaths—from 2,790 in 2010 to 3,021 in 2011. The number of civilians killed during suicide attacks rose 80%. Nearly one of every three civilian deaths was caused by an improvised explosive device.<sup>91</sup>

## AFGHAN NATIONAL ARMY

As of March 31, 2012, the U.S. government had obligated \$23.8 billion and disbursed \$21.0 billion of ASFF funds to build, train, and sustain the ANA.<sup>92</sup> For FY 2013, DoD requested \$3.7 billion through the ASFF to support the ANA—a 43% decrease from the amount authorized for this purpose in FY 2012.<sup>93</sup>

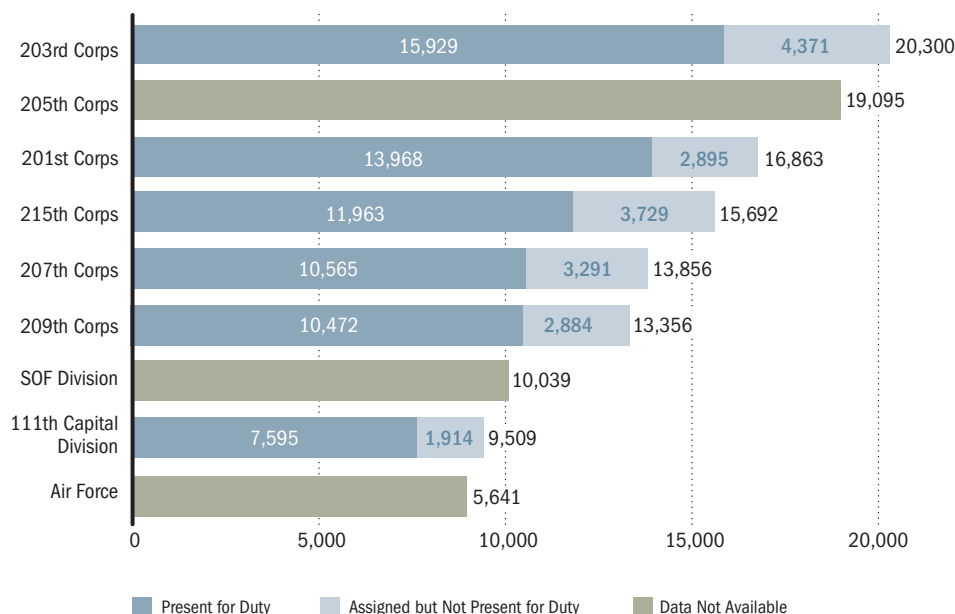
## ANA Strength

On March 12, 2012, the ANA's strength was 187,874—an increase of 11,520 since last quarter—according to CSTC-A. Of those personnel, 27,629 were on leave, sick, or assigned to temporary duty, and 9,208 were absent without leave (AWOL). The ANA consists of 24,691 officers, 52,248 noncommissioned officers, 107,922 soldiers, and 3,013 cadets.<sup>94</sup>

Most ANA personnel are assigned to the ANA's six corps, its Special Operations Force, and its 111th Capital Division, as noted in previous SIGAR quarterly reports. This quarter, SIGAR included in the total the number of personnel in the Afghan Air Force, to better reflect the whole of the ANA's main combat forces. According to CSTC-A, 124,351 personnel were assigned to these forces as of March 12, 2012. However, the number of personnel assigned does not necessarily equal the number of troops present for duty, as noted in previous SIGAR reports and shown in Figure 3.24. Of these forces, 3–11% were AWOL, as shown in Figure 3.25.<sup>95</sup>

FIGURE 3.24

## ANA PERSONNEL STRENGTH, SELECTED COMPONENTS, ON MARCH 12, 2012



Notes: SOF = Special Operations Force. PDY = present for duty. Assigned but not PDY = on medical, training, or authorized leave, as well as absent without leave. For the 203rd, 111th, and SOF, the number of personnel on medical, training, or authorized leave was not available this quarter. As a result, the number of personnel present for duty and assigned but not present for duty could not be accurately counted.

Source: CSTC-A, response to SIGAR data call, 3/27/2012.

## ANA Sustainment

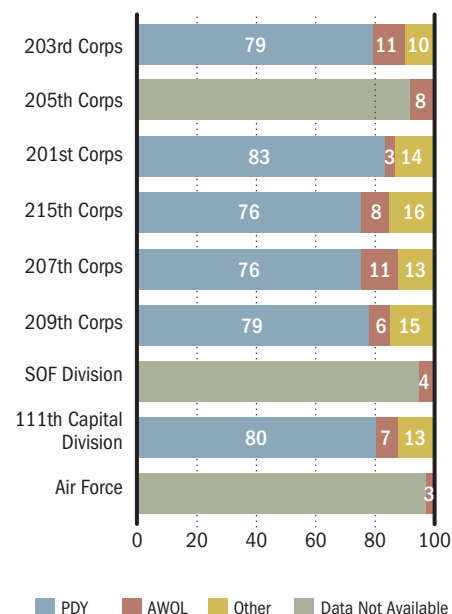
As of March 31, 2012, the U.S. government had obligated \$7.6 billion and disbursed \$6.9 billion of ASFF funds for ANA sustainment.<sup>96</sup> These funds are used to provide logistical items (such as fuel), maintenance services, clothing, individual equipment, medical supplies, ammunition, and personnel salaries and incentives.<sup>97</sup> For FY 2013, DoD requested \$2.5 billion through the ASFF for ANA sustainment—a 17% decrease from the amount authorized for this purpose in FY 2012.<sup>98</sup>

## ANA Salaries

As of March 27, 2012, the U.S. government had provided \$988.2 million to pay ANA salaries, including \$157.8 million this quarter, according to CSTC-A. The United States funds 72% of ANA salaries with incentives (extra pay for personnel engaged in combat or employed in specialty fields such as special forces, medical, and explosive ordnance disposal) and funds 47% of salaries without incentives (for personnel not employed in certain specialty fields or engaged in combat). CSTC-A estimated that the ANA will require nearly \$881.6 million per

FIGURE 3.25

## ANA PERSONNEL PRESENCE, SELECTED COMPONENTS, ON MARCH 12, 2012 (PERCENT)



Notes: Numbers affected by rounding. SOF = Special Operations Force. PDY = present for duty. AWOL = absent without leave. Other = on medical, training, or authorized leave. For the 203rd, 111th, and SOF, the number of personnel on medical, training, or authorized leave was not available this quarter. As a result, the number of personnel present for duty and assigned but not present for duty could not be accurately counted.

Source: CSTC-A, response to SIGAR data call, 3/27/2012.

year to fund salaries, incentives, and bonuses when it reaches its final strength of 195,000 personnel.<sup>99</sup>

To cover ANA salaries, NTM-A/CSTC-A personnel determine the amount of funding needed and submit a request to the Defense Financing and Accounting Service (DFAS). DFAS processes the payment and releases the funds to the Ministry of Finance, which releases the funds to the MoD in the form of checks that can be electronically deposited in personal bank accounts or cashed and distributed to ANA personnel who do not have bank accounts.<sup>100</sup>

For FY 2013, DoD requested \$556.3 million through the ASFF for ANA salaries, food, incentives, and personnel management—a 7% decrease from the amount authorized for this purpose in FY 2012.<sup>101</sup>

## DoD OIG Audit of ANA Payroll Process

This quarter, the DoD Office of Inspector General (DoD OIG) released a report on the ANA payroll process that focused on two areas:<sup>102</sup>

- distributing \$410.4 million of ASFF funds to supplement the ANA payroll from April 2009 through January 2011
- building the capacity of MoD and ANA personnel so they can independently sustain the payroll process

In the report, DoD OIG found that NTM-A/CSTC-A's Finance Reform Office had not implemented adequate controls to ensure that funds provided to the MoD to cover future ANA salaries were properly calculated and used for approved purposes. As a result, the Finance Reform Office's calculations included \$47.8 million in errors. These errors resulted in incorrect estimates of quarterly funding for ANA salaries. DoD OIG noted that providing the MoD with an accurate funding amount for the ANA payroll is important if the MoD is to prepare future budgets accurately and sustain the payroll. The report also found that personnel in the Finance Reform Office needed to improve how they advise MoD personnel and ANA personnel below the corps level.<sup>103</sup>

DoD OIG noted that during the course of the audit, NTM-A/CSTC-A took action to improve controls and increase the number of advisors for the ANA payroll process.<sup>104</sup> For more information on this audit report, see Section 4.

## SIGAR AUDIT

This quarter, SIGAR's audit of the CENTCOM Joint Theater Support Contracting Command's (CJTSCC) contract data recommended that CJTSCC assess the feasibility of correcting data for FY 2009 and earlier. For details, see Section 2, page 19.

## ANA Equipment and Transportation

As of March 31, 2012, the U.S. government had obligated and disbursed \$9.1 billion of ASFF funds for ANA equipment and transportation.<sup>105</sup>

As of March 27, 2012, the United States had provided the ANA with 176,433 weapons (at a cost of \$359.8 million), 35,767 vehicles (\$3.55 billion), and 80,614 pieces of communications equipment (\$409.6 million).<sup>106</sup> These numbers are lower than those reported last quarter for the following reasons:<sup>107</sup>

- Weapons: Last quarter, CSTC-A included weapon accessories in the total it provided; no accessories were included this quarter.

- Vehicles: Last quarter, CSTC-A included 1,044 vehicles that had not yet been issued to the ANA; a correction was made this quarter.
- Pieces of communications equipment: Last quarter, an error in the data reported to SIGAR resulted in a higher count of VHF radios.

As of March 27, 2012, the Afghan Air Force inventory consisted of 87 aircraft, 11 more than last quarter.<sup>108</sup>

- 41 Mi-17s (transport helicopters)
- 11 Mi-35s (attack helicopters)
- 15 C-27s (cargo planes)
- 8 C-208Bs (light transport planes)
- 6 C-182Ts (four-person trainers)
- 6 MD-530Fs (light helicopters)

According to CSTC-A, an additional six Mi-17s, two C-208Bs, and one C-27 are expected to be delivered to the Afghan Air Force in 2012.<sup>109</sup>

For FY 2013, DoD requested \$241.5 million through the ASFF for ANA equipment and transportation—an 83% decrease from the amount authorized for this purpose in FY 2012.<sup>110</sup> This request does not include amounts for weapons or vehicles; the requested funds would support the Afghan Air Force (\$169.8 million), provide communications and intelligence equipment (\$1.7 million), and support airlift operations (\$70 million).<sup>111</sup> According to DoD, most of the FY 2013 ANSF equipment and ammunition requirements can be fulfilled with FY 2012 and FY 2013 funds.<sup>112</sup>

## ANA Infrastructure

As of March 31, 2012, the U.S. government had obligated \$5.0 billion and disbursed \$3.0 billion of ASFF funds for ANA infrastructure.<sup>113</sup> As of March 16, 2012, the United States had completed 178 ANA infrastructure projects (valued at \$2.14 billion), 143 projects were ongoing (\$2.94 billion), and 76 were planned (\$1.53 billion).<sup>114</sup>

For FY 2013, DoD requested \$190 million through the ASFF for ANA infrastructure—an 85% decrease from the amount authorized for this purpose in FY 2012.<sup>115</sup> Instead of construction projects—the focus of most funds in this category in previous years—the requested amount is to be used to upgrade ANA garrisons (\$30 million), upgrade and modernize force protection systems (\$60 million), and prepare coalition facilities for handover to the ANSF (\$100 million).<sup>116</sup>

## ANA Training and Operations

As of March 31, 2012, the U.S. government had obligated \$2.1 billion and disbursed \$2.0 billion in ASFF funds for ANA operations and training.<sup>117</sup> For FY 2013, DoD requested \$758.4 million through the ASFF for ANA training and operations—a 1% increase above the amount authorized for this purpose in FY 2012.<sup>118</sup>

### SIGAR AUDIT

In an audit of DoD accountability for vehicles provided to the ANSF, SIGAR found that because CSTC-A did not regularly file claims for damaged or missing equipment, it was providing fuel for vehicles that had been destroyed. For details, see SIGAR Audit 12-04, “DoD Improved Its Accountability for Vehicles Provided to the Afghan National Security Forces, but Should Follow Up on End-Use Monitoring Findings,” at [www.sigar.mil](http://www.sigar.mil).

### SIGAR AUDIT

In audits of task orders to support construction of the Kabul Military Training Center and the Afghan National Security University, SIGAR found that both projects cost more and took longer to complete than planned. For details, see SIGAR Audit 12-02, “Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the Kabul Military Training Center,” and SIGAR Audit 12-03, “Afghan National Security University Has Experienced Cost Growth and Schedule Delays, and Contract Administration Needs Improvement,” at [www.sigar.mil](http://www.sigar.mil).

## ANA Literacy

This quarter, CSTC-A noted that the UN Educational, Scientific, and Cultural Organization (UNESCO) estimated the literacy rate for the entire ANSF at approximately 14%, but it did not provide rates for the ANA and ANP separately.<sup>119</sup>

CSTC-A identifies three levels of literacy, using the UNESCO definition for level 3:<sup>120</sup>

- Level 1: read and write single words; count to 1,000; add and subtract whole numbers
- Level 2: read and write sentences, multiply and divide numbers, identify units of measurement
- Level 3: “identify, understand, interpret, create, communicate, compute and use printed and written materials associated with varying contexts”<sup>121</sup>

At levels 1 and 2, individuals are classified as functionally illiterate. According to CSTC-A, functional literacy is achieved only upon completing level 3 literacy training.<sup>122</sup>

The United States funds three contracts to provide literacy training to the ANA and the ANP. According to CSTC-A, as of March 27, 2012, these contractors were providing 1,435 literacy trainers to the ANA (an increase of 211 from last quarter):<sup>123</sup>

- OT Training Solutions (a U.S. company) was providing 533 trainers.
- Insight Group (an Afghan company) was providing 261 trainers.
- The Higher Education Institute of Karwan (an Afghan company) was providing 641 trainers.

## Women in the ANA

As of March 27, 2012, ANA personnel included 350 women—239 officers, 104 noncommissioned officers, and 7 soldiers—according to U.S. Central Command (CENTCOM). Of the officers, approximately 75% served in medical roles. Approximately 50% of the noncommissioned officers were working in logistical roles, and 25% were in medical roles.<sup>124</sup>

According to CENTCOM, recruiting goals are based on the availability of training facilities for women rather than on strategic plans to meet personnel requirements. Places for 60 women were available in the January 2012 officer candidate school class; 16 women enrolled. Places for another 60 women were available in the National Military Academy of Afghanistan class of 2016; 40 women were enrolled as of March 27. Classes were scheduled to begin as this report went to press.<sup>125</sup>

## U.S. Support for the Ministry of Defense

As of March 27, 2012, the United States had spent or otherwise made available \$435.4 million to develop the MoD, including \$198 million for FY 2012, according to CSTC-A. Over the next five years, the funds programmed for MoD development (a total of \$572 million) are expected to gradually decrease from \$156 million for FY 2013 to \$62 million for FY 2017.<sup>126</sup>



As noted in previous SIGAR quarterly reports, the number of advisors assigned to the MoD had fallen from 304 in October 2011 to 187 in December 2011. As of March 27, 2012, the number of advisors was further reduced to 123—65 U.S. personnel, 13 coalition personnel, and 45 contractors. According to CSTC-A, two factors reduced the number of advisors needed at the MoD: a restructuring of NTM-A in November and December 2011, coupled with the ANA taking the lead in several areas. CSTC-A noted that the number of advisors will likely continue to decrease as the MoD and ANA assume more responsibility.<sup>127</sup>

## AFGHAN NATIONAL POLICE

As of March 31, 2012, the United States had obligated \$13.1 billion and disbursed \$11.5 billion of ASFF funds to build, train, and sustain the ANP.<sup>128</sup> For FY 2013, DoD requested \$2.0 billion through the ASFF to support the ANP—nearly a 57% decrease from the amount authorized for this purpose in FY 2012.<sup>129</sup>

According to the UN Secretary-General, the 2011 Police Perception Survey “showed some positive trends in confidence in the police and the role of female officers.”<sup>130</sup> The survey is conducted by the UN Development Programme (UNDP). Although perceptions of police corruption decreased over the past year, this issue was still deemed an “outstanding challenge,” the UN Secretary-General noted.<sup>131</sup>

## ANP Strength

This quarter, the total strength of the ANP was 149,642, according to CSTC-A. Of that number, 84,006 were assigned to the AUP, 22,222 were assigned to the ABP, and 16,460 were assigned to the ANCOP, as shown in Table 3.5.

TABLE 3.5

ANP FORCE STRENGTH, MARCH 2012			
	Authorized (Tashkil)	Assigned to Tashkil Positions	Not Assigned to Tashkil Positions
<b>ANP (Total Strength: 149,642<sup>a</sup>)</b>	<b>140,579<sup>b</sup></b>	<b>140,947<sup>a</sup></b>	<b>8,695<sup>d</sup></b>
<b>Breakdown By ANP Component</b>			
AUP	80,275	84,006	—
ABP	23,086	22,222	—
ANCOP	13,678	16,460	—
Other Units	23,540 <sup>c</sup>	22,637 <sup>c</sup>	—

Notes: AUP = Afghan Uniform Police. ABP = Afghan Border Police. ANCOP = Afghan National Civil Order Police. — = not available.

a. Does not include traffic and fire units.

b. Includes authorized AUP, ABP and ANCOP personnel in addition to authorized personnel for MoI headquarters, anti-crime, training, counter-narcotics, traffic, medical, intelligence, and fire units.

c. Includes personnel authorized for or assigned to MoI headquarters, anti-crime, training, counter-narcotics, traffic, medical, intelligence, and fire units.

d. Students enrolled in initial entry training programs and officer graduates.

Source: CSTC-A, ANP PERSTAT, 3/2012.

## SIGAR AUDIT

In a 2011 audit of ANP personnel management systems, SIGAR found that the systems and databases that the ANP uses to track personnel are decentralized, incomplete, and unverified. For details, see SIGAR Audit 11-10, “Despite Improvements in Mol’s Personnel Systems, Additional Actions are Needed to Completely Verify ANP Payroll Costs and Workforce Strength,” at [www.sigar.mil](http://www.sigar.mil).

## ANP Sustainment

As of March 31, 2012, the United States had obligated \$4.2 billion and disbursed \$3.8 billion of ASFF funds for ANP sustainment.<sup>132</sup> For FY 2013, DoD requested \$1.3 billion through the ASFF for ANP sustainment—a 27% decrease from the amount authorized for this purpose in FY 2012.<sup>133</sup>

## ANP Salaries

As of March 27, 2012, the United States had provided approximately \$914.0 million to the UNDP’s LOTFA for ANP salaries, according to CSTC-A. Of that amount, \$218 million was provided in FY 2011.<sup>134</sup> The LOTFA supports the establishment, payment, equipping, and training of the ANP.<sup>135</sup> To support the ANP, the United States provided an additional \$28.9 million in non-LOTFA contributions.<sup>136</sup>

CSTC-A estimated that the ANP will require approximately \$726.9 million per year to fund salaries, incentives, and food when it reaches its final strength of 157,000 personnel.<sup>137</sup>

- salaries: \$471.6 million
- incentives: \$117.8 million
- food: \$137.5 million

For FY 2013, DoD requested \$384.2 million through the ASFF for ANP salaries, food, incentives, and personnel management—a 2.4% increase over the amount authorized for this purpose in FY 2012. Most of the funds requested in this category are for salaries (\$185.2 million) and incentives (\$184.9 million).<sup>138</sup>

## ANP Equipment and Transportation

As of March 31, 2012, the United States had obligated and disbursed \$3.5 billion of ASFF funds for ANP equipment and transportation.<sup>139</sup>

As of March 27, 2012, the United States had provided the ANP with 294,702 weapons (valued at \$333.4 million), 28,878 vehicles (\$1.66 billion), and 62,645 pieces of communications equipment (\$119.3 million). The cost of these items is 67% of the total cost required to fully equip the ANP, as shown in Table 3.6. The largest

TABLE 3.6

U.S.-PROVIDED ANP EQUIPMENT, MARCH 2012						
	Fielded	Cost (\$)	Percentage of Total Cost	Remaining	Cost (\$)	Percentage of Total Cost
Weapons	294,702	333,356,034	82	51,922	72,305,874	18
Vehicles	28,878	1,656,820,266	64	14,956	923,134,573	36
Communications equipment	62,645	119,329,600	71	25,908	48,240,450	29
<b>Total</b>	<b>386,225</b>	<b>2,109,505,900</b>	<b>67</b>	<b>92,786</b>	<b>1,043,680,897</b>	<b>33</b>

Notes: Numbers affected by rounding. Data as of 3/27/2012.

Source: CSTC-A, response to SIGAR data call, 3/27/2012.

costs have been for versions of the high-mobility multi-purpose wheeled vehicles or HMMWVs (approximately \$796.2 million) and AK-47 rifles (\$200.2 million).<sup>140</sup>

For FY 2013, DoD requested \$84.9 million through the ASFF for ANP equipment and transportation—an 86% decrease from the amount authorized for this purpose in FY 2012.<sup>141</sup> For the first time since the creation of the ASFF, no funds were requested for weapons or vehicles. According to DoD, most of the ANSF's equipment and ammunition requirements in FY 2013 can be fulfilled with FY 2012 and FY 2013 funds.<sup>142</sup>

## ANP Infrastructure

As of March 31, 2012, the U.S. government had obligated \$2.9 billion and disbursed \$1.7 billion of ASFF funds for ANP infrastructure.<sup>143</sup> These funds support the construction, expansion, and modernization of two kinds of facilities:<sup>144</sup>

- police facilities, such as district headquarters, new or expanded ANP and ANCOP facilities, fire stations, and special police facilities
- enabler facilities, such as MoI administrative buildings

As of March 16, 2012, the United States had completed 404 ANP infrastructure projects (valued at \$1.13 billion), 224 projects were ongoing (\$1.26 billion), and 170 were planned but not under way (\$1.15 billion).<sup>145</sup>

For FY 2013, DoD requested \$50 million through the ASFF for ANP infrastructure—a 96% decrease from the amount authorized for this purpose in FY 2012.<sup>146</sup>

## ANP Training and Operations

As of March 31, 2012, the United States had obligated and disbursed \$2.4 billion of ASFF funds for ANP training and operations.<sup>147</sup> This quarter, 3,927 students graduated from 16 ANP courses, according to CSTC-A.<sup>148</sup>

For FY 2013, DoD requested \$569.9 million through the ASFF for ANA training and operations—a 48% decrease from the amount authorized for this purpose in FY 2012.<sup>149</sup>

## GAO Report on DoD Efforts To Train the ANP

This quarter, the Government Accountability Office (GAO) released a report on DoD efforts and its use of contractors to train ANP personnel. The report found that 778 U.S. government, coalition government, and DoD contractor personnel (as of November 2011) were supporting ANP training at 23 NATO-managed sites by serving in three main roles:<sup>150</sup>

- as advisors to build capacity in areas such as financial and human resource management at the MoI
- as advisors and trainers to develop the abilities of ANP commanders to operate training sites and provide training to recruits in areas such as criminal investigation, weapons, survival skills, and physical fitness
- as embedded advisors to help deployed ANP units develop civilian policing skills

## SIGAR AUDIT

In an ongoing audit, SIGAR is focusing on U.S. Army Corps of Engineers operations and maintenance contracts for ANSF facilities. For details, see Section 2, page 26.

Approximately 66% of these trainers and advisors were coalition personnel, 21% were U.S. government personnel, and the other 13% were DoD contractor personnel. In addition to these roles, GAO found that approximately 2,825 DoD contractor personnel provided maintenance, logistics, and security services at 12 NATO-managed training sites.<sup>151</sup>

As of January 2012, the United States and 12 coalition countries were providing 325 police advising and liaison teams (with 15 to 20 personnel each), the report noted. In total, more than 3,400 DoD contractor personnel were supporting the ANP training program.<sup>152</sup>

## ANP Literacy

This quarter, CSTC-A noted that UNESCO estimated the literacy rate for the entire ANSF at approximately 14%, but it did not provide rates for the ANA and ANP separately.<sup>153</sup>

CSTC-A identifies three levels of literacy, using the UNESCO definition for level 3:<sup>154</sup>

- Level 1: read and write single words; count to 1,000; add and subtract whole numbers
- Level 2: read and write sentences, multiply and divide numbers, identify units of measurement
- Level 3: “identify, understand, interpret, create, communicate, compute and use printed and written materials associated with varying contexts”

At levels 1 and 2, individuals are classified as functionally illiterate. According to CSTC-A, functional literacy is achieved only upon completing level 3 literacy training.<sup>155</sup>

As noted earlier, the United States funds three contracts to provide literacy training to the ANA and the ANP.<sup>156</sup> According to CSTC-A, as of March 27, 2012, these contractors were providing 1,434 literacy trainers to the ANP (an increase of 319 from last quarter):<sup>157</sup>

- OT Training Solutions (a U.S. company) was providing 452 trainers.
- Insight Group (an Afghan company) was providing 326 trainers.
- The Higher Education Institute of Karwan (an Afghan company) was providing 656 trainers.

## Women in the ANP

As of March 27, 2012, ANP personnel included 1,320 women—194 officers, 561 noncommissioned officers, and 565 enlisted personnel—according to CSTC-A. The goal for the ANP is to recruit 5,000 women by the end of 2014. The ANP’s

recruiting campaign, funded through the LOTFA, is targeting specific locations for recruits. The United States provides a human rights and gender advisor through DoD's program of MoD advisors to work with the MoI's Gender Department to meet the recruitment goal.<sup>158</sup>

## U.S. Support for the Ministry of Interior

The U.S.-funded MoI training and advising contract—awarded to DynCorp International at a cost of \$1.19 billion—provides training and support services in the following areas:<sup>159</sup>

- advising MoI staff in conjunction with ISAF
- training ANP and providing support services at regional training centers
- supporting police advisor teams under the IJC

Through the advising portion of the contract, DynCorp provides expert support to develop the skills, systems, and education needed to run MoI sections effectively. The support provided depends on the missions of the directorates within NTM-A that are responsible for meeting the requirement and on the skills that need to be developed at the MoI. According to CSTC-A, contracted advisors are monitored to ensure that they continue to provide value to their Afghan counterparts. Each is evaluated monthly to ensure that contract requirements are being met.<sup>160</sup>

Through the ANP training and base support portion of the contract, DynCorp provides advisors and trainers at ANP training locations across Afghanistan, and support and security services at some locations. Trainers and advisors work alongside ISAF and Afghan partners to develop Afghan training and command at the regional training centers.<sup>161</sup>

Through the police advisor teams portion of the contract, DynCorp provides law enforcement experts who embed with military units assigned to ANP units. These advisors augment the capacity of military units with subject matter expertise to instill basic police skills in ANP personnel in the field. According to CSTC-A, oversight in this area has improved from past quarters, but more IJC-trained and qualified contracting officer representatives are still needed.<sup>162</sup>

## Local Initiatives

The MoI's community watch initiative, the Afghan Local Police (ALP), enables communities to protect themselves where there is no significant ISAF or ANSF presence.<sup>163</sup> Although called “police,” ALP members do not have arrest authority, and they are not counted in tallies of the ANP's strength, as noted in SIGAR's January 2012 quarterly report.<sup>164</sup> ALP members are nominated by local councils, vetted by the Afghan intelligence service, and serve under local police chiefs. They are trained by and partner with elements of the ANP, ANA, and U.S. Special Forces.<sup>165</sup>

In testimony before the Senate Armed Services Committee in March, ISAF Commander General Allen expressed optimism regarding the success of the ALP. He noted that the Taliban are particularly threatened by the ALP because of its ability to deny insurgents a hold on local populations. General Allen also testified that, as the ALP reaches its full strength, decisions would be made as to whether to continue the initiative and allowed for the possibility that the force could be expanded.<sup>166</sup>

This quarter, the UN Secretary-General stated that although reports indicated that security had improved in areas where the ALP is operating, there had also been reports of human rights abuses against civilians. He noted that he shared “the view of the Government of Afghanistan that such security initiatives should have clear lines of accountability, command, and control linking them to formal national security forces and institutions, namely the Afghan National Army and the Afghan National Police.”<sup>167</sup>

As of March 25, 2012, the ALP had 12,660 members, according to the Combined Forces Special Operations Component Command - Afghanistan (CFSOCC-A). The goal is 30,000 members in 99 districts and at ALP headquarters in Kabul by 2014. To support the ALP and cover its salaries, NTM-A/CSTC-A and CFSOCC-A had obligated \$36.4 million of ASFF funds as of March 25, 2012.<sup>168</sup>

## U.S. FORCES

According to U.S. Forces - Afghanistan (USFOR-A), approximately 88,000 U.S. forces were serving in the country as of March 28, 2012.<sup>169</sup> Of those, approximately 60,000 were assigned to ISAF and 2,220 to NTM-A/CSTC-A (the joint NATO/U.S. mission responsible for training, equipping, and sustaining the ANSF).

## REMOVING UNEXPLODED ORDNANCE

From 2002 through March 2012, the U.S. Department of State (DoS) had provided more than \$212.6 million in funding for non-proliferation, anti-terrorism, demining, and related programs in Afghanistan, according to its Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA).<sup>170</sup> Of that funding, \$171.6 million had been provided since 2006.<sup>171</sup>

As of March 31, 2012, DoS directly funds five Afghan non-governmental organizations (NGOs), five international NGOs, and one U.S. company (DynCorp) to carry out sustained clearance operations and remove and mitigate abandoned and at-risk weapons. DynCorp, which has received approximately \$47.7 million since 2006, also provides advising to and oversight of the five Afghan NGOs (which had received \$77.3 million). Since 2006, international NGOs received \$44.3 million, public institutions (such as UN and NATO program offices) received \$1.6 million, and a U.K. university received \$0.7 million for weapons removal and demining activities. According to the PM/WRA, in addition to clearance, removal, and mitigation activities, these organizations also do the following:<sup>172</sup>

- provide stockpile management support
- support the purchase of mine-detection dogs

- build Afghan capacity through training programs
- conduct surveys
- provide services to survivors of accidents caused by landmines or explosive remnants of war
- educate the public on the threat of mines and explosives

In 2011, DoS-funded implementing partners had cleared 39.0 million square meters of minefields, according to the most recent data available from the PM/WRA. An estimated 588.0 million square meters of contaminated area remain to be cleared as shown in Table 3.7. The PM/WRA defined a “minefield” as an area contaminated by landmines, and a “contaminated area” as an area contaminated with both landmines and explosive remnants of war.<sup>173</sup>

## COUNTER-NARCOTICS

From 2002 to March 31, 2012, the United States had appropriated \$5.8 billion for counter-narcotics initiatives in Afghanistan. Most of these funds were appropriated through two sources: the DoS International Narcotics Control and Law Enforcement account (\$3.6 billion), and the DoD Drug Interdiction and Counter-Drug Activities fund (nearly \$2.3 billion).<sup>174</sup>

The manufacture and distribution of illicit drugs remains a major problem in Afghanistan. The illicit nature of the business fosters an underground economy in which corruption flourishes, undermining political stability, economic growth, and rule of law. Moreover, the proceeds from drug production and sales have been a key source of funding for insurgents. Together these factors create a nexus between the insurgency and the illicit narcotics industry that creates opportunities for corruption.

TABLE 3.7

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1, 2011–DECEMBER 31, 2011						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m <sup>2</sup> )	Estimated Contaminated Area Remaining (m <sup>2</sup> )
1/1-3/31/2011	2,171	55,005	80,156	5,899,573	11,405,068	627,000,000
4/1-6/30/2011	4,043	68,542	481,877	6,259,343	6,799,279	612,000,000
7/1-9/30/2011	2,071	120,616	627,656	6,258,408	7,735,897	602,000,000
10/1-12/31/2011	2,616	88,998	449,589	13,376,738	13,097,574	588,000,000
<b>Total</b>	<b>10,901</b>	<b>333,161</b>	<b>1,639,278</b>	<b>31,794,062</b>	<b>39,037,818</b>	(remaining) <b>588,000,000</b>

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition.

Source: DoS, PM/WRA, response to SIGAR data call, 4/4/2012.



## Key Events

This quarter, a jury in the U.S. District Court for the District of Columbia convicted an Afghan national of conspiracy, distribution of heroin for importation into the United States, and narco-terrorism, according to the Department of Justice (DoJ). The investigation by the Drug Enforcement Administration (DEA) leading up to the arrest and conviction revealed that the individual was “one of the largest heroin traffickers in the world” who manufactured the drug in Afghanistan, sent it to more than 20 countries (including the United States), and used the proceeds to support the Taliban and its insurgency.<sup>175</sup>

On February 16, 2012, the UN Secretary-General attended the Third Ministerial Conference of the Paris Pact, which was held in Vienna. The conference is part of a comprehensive international effort to stem the flow of opium and heroin from Afghanistan. Ministers stressed the need to reduce cultivation, production, trafficking, and abuse, and to establish an international coalition to combat opiate trafficking. The Paris Pact partners adopted the Vienna Declaration, a statement of commitment to “act in a balanced and comprehensive manner against the menace of illicit Afghan opiates” by “addressing both the demand and supply sides” of the illicit narcotics trade.<sup>176</sup>

## Counter-Narcotics Police of Afghanistan

This quarter, the force strength of the Counter-Narcotics Police of Afghanistan (CNPA) was 2,750, according to CENTCOM. The CNPA is advised by 90 civilian, military, and contractor personnel from the United States, the United Kingdom, Canada, France, and the UN Office on Drugs and Crime (UNODC). Of the U.S. advisors, 56 were contractors, and 10 were DEA personnel.<sup>177</sup>

## Interdiction Operations

This quarter, the ANSF partnered with ISAF in conducting 97 narcotics interdiction operations, according to DoD. These operations included partnered patrols, cordon-and-search actions, detentions, and over-watch operations. They resulted in 67 arrests and led to the seizure of the following narcotics contraband:<sup>178</sup>

- 100,324 kg of hashish and marijuana
- 5,791 kg of opium
- 4,384 kg of morphine
- 211 kg of heroin
- 7,623 kg of narcotics-related chemicals

To put this in context, from 2010 to 2011 the amount of opium produced in Afghanistan increased from 3.6 million kg to 5.8 million kg, according to UNODC. Its December 2011 Opium Survey noted that the total area under opium cultivation had risen from 123,000 hectares in 2010 to 131,000 hectares in 2011.<sup>179</sup>

This quarter, most interdiction operations continued to be conducted in the south and southwest, where most opiates are grown, processed, and smuggled out of Afghanistan. According to DoD, these operations focused on countering the insurgency-narcotics-corruption nexus.<sup>180</sup>

The DEA and its Afghan counterparts continued to conduct investigations across Afghanistan as the U.S. military focused on partnering with and building the capacity of Afghan counter-narcotics institutions, according to DoD. These efforts were supported by DoD's Combined Joint Interagency Task Force - Nexus and the U.S.- and U.K.-led Interagency Operations Coordination Center. DoD noted that all operations were coordinated with and received support from the U.S. and coalition militaries.<sup>181</sup>

## SIGAR AUDIT

In two 2009 audits of the then-new Counter-Narcotics Justice Center, SIGAR recommended that DoS amend the scope of work to include needed utility upgrades and increase funding to ensure construction of additional facilities was expedited. For details, see SIGAR Audit 09-04, "Actions Needed to Resolve Construction Delays at the Counter-Narcotics Justice Center," and SIGAR Audit 09-07, "Documenting Detention Procedures Will Help Ensure Counter-Narcotics Justice Center Is Utilized as Intended," at [www.sigar.mil](http://www.sigar.mil).



## GOVERNANCE

As of March 31, 2012, the United States had provided \$22.3 billion to support governance and economic development in Afghanistan. (See Appendix B.) This quarter, U.S.-funded programs continued to address persistent problems related to corruption, governmental control, reintegration and reconciliation, rule of law, human rights, and governmental capacity and service delivery.

### KEY EVENTS

Widespread protests and political fallout from the burning of Korans by International Security Assistance Force (ISAF) personnel at Bagram Air Force Base in February and the killings of 17 civilians allegedly by a U.S. soldier in Kandahar in March strained U.S.-Afghan relations this quarter. Security restrictions imposed on U.S. personnel as a result of the incidents also impeded U.S. efforts to build Afghan governing capacity.

The Wolesi Jirga did not pass any significant legislation this quarter, but it did confirm a number of ministers. In the judicial sector, the Afghan government did not pursue any major corruption cases, although a new initiative aimed at prosecuting major cases was announced.

At the time this report went to press, the U.S. and Afghan governments were still negotiating a new strategic partnership that would provide a framework for the political-military relationship between the two countries after 2014. The two sides made some progress during the reporting period, reaching agreements on transferring responsibilities for special forces operations and detainees to Afghan control.

### RECONCILIATION AND REINTEGRATION

During this reporting period, the Afghan government continued its attempts to negotiate settlements with the Taliban and other insurgent forces. Higher-level reconciliation efforts did not result in any major breakthroughs, but a growing number of lower-level insurgents reintegrated this quarter—mostly in the west.

Political debate continued inside and outside Afghanistan this quarter, focused on the goals and terms of reconciliation and how the process should proceed. There were conflicting accounts about the state of negotiations and who was participating in talks. Many political observers continued to worry about the lack of transparency in the negotiations; some are concerned that a deal could roll back the progress made in the past 10 years.<sup>182</sup> U.S. Secretary of State Hillary Rodham

Clinton reiterated that women's rights will not be sacrificed in negotiations. She also stated that the dialogue must include women, ethnic minorities, and representatives of civil society.<sup>183</sup>

On January 3, 2012, the Taliban reportedly agreed to open a political office in Qatar to "come to an understanding with other nations."<sup>184</sup> In a speech to the National Assembly on January 21, President Karzai publicly supported the agreement; however, as of March 30, the Taliban had not opened an office.<sup>185</sup> Karzai also announced that he had begun preliminary discussions with representatives of the Hezb-e Islami party, the organization led by Gulbuddin Hekmatyar that opposes the Karzai government. On February 15, 2012, Karzai claimed that the Afghan government had engaged in talks with the Taliban, but the United Nations (UN) Secretary-General noted that the Taliban apparently rejected that claim.<sup>186</sup> It appears that the Taliban suspended their participation in peace talks in late March, according to the U.S. Department of State (DoS).<sup>187</sup>

On February 17, 2012, the presidents of Afghanistan, Pakistan, and Iran held their third trilateral summit. The Pakistani and Iranian leaders offered their full support for a peace process that is led by and owned by Afghans, according to the UN Secretary-General.<sup>188</sup>

## Reintegration Funding

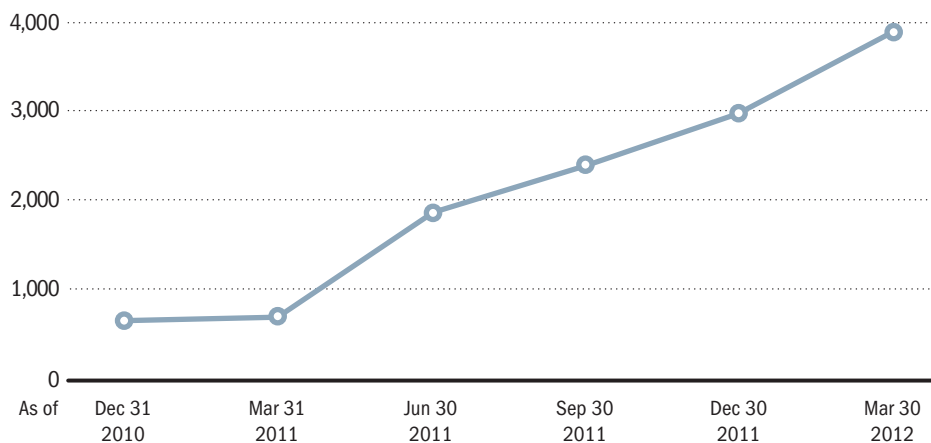
As of February 2012, the Afghan Peace and Reintegration Program (APRP) had expended \$13.4 million of the \$94 million in its trust fund. DoS noted that expenditures should increase when the weather improves and community recovery projects that were approved by the APRP in the last Afghan fiscal year (which ended March 20) are implemented. This quarter, the Netherlands and Spain pledged a combined \$8.9 million in additional funding for the APRP.<sup>189</sup>

## High Peace Council

The High Peace Council's general assembly did not meet this quarter, and the chairmanship position remained vacant; it has been unfilled since the September 2011 assassination of Burhannuddin Rabbani. The Council's 16-member executive board met at least eight times, according to DoS. It discussed the strategic release of detainees and approved plans for provincial assessments and for a joint project of the Ulema Council and the Ministry of the Hajj and Religious Affairs.<sup>190</sup>

This quarter, the Council worked with the UN and its Sanctions Committee to remove from its blacklist insurgents who have joined the peace process. The committee lifted the travel ban on one Taliban member for humanitarian reasons. As the quarter closed, a request to remove a senior Taliban member from the list was awaiting a final decision. DoS noted that lifting travel bans will encourage more leaders and senior members of the insurgency to join the peace process.<sup>191</sup>

FIGURE 3.26

**REINTEEGRES UNDER THE APRP, 2010–MARCH 30, 2012**

Note: Numbers affected by rounding.

Sources: DoS, responses to SIGAR data call, 3/30/2012, 12/30/2011, 10/6/2011, 7/1/2011, 4/15/2011, and 1/12/2011.

## Afghan Peace and Reintegration Program

Reintegration accelerated this quarter; progress continued to be concentrated in the less volatile northern and western parts of the country. By March 30, the number of insurgents enrolled in the APRP had reached almost 3,900, according to DoS.<sup>192</sup> That is an increase of more than 900 over the number SIGAR noted last quarter and continued the steady increase since March 2011, as shown in Figure 3.26. Most reintegration events occur when mid- and lower-level leaders bring in their fighters in groups of 5 to 25, according to the U.S. Department of Defense (DoD).<sup>193</sup>

Rumors of reconciliation negotiations in Qatar caused confusion among insurgents about their leaders' intentions, according to ISAF's Force Reintegration Cell. Insurgent fighters lose direct contact with leaders during the colder, less busy winter months because those leaders often leave the country during that period.<sup>194</sup>

## Regional Reintegration Progress

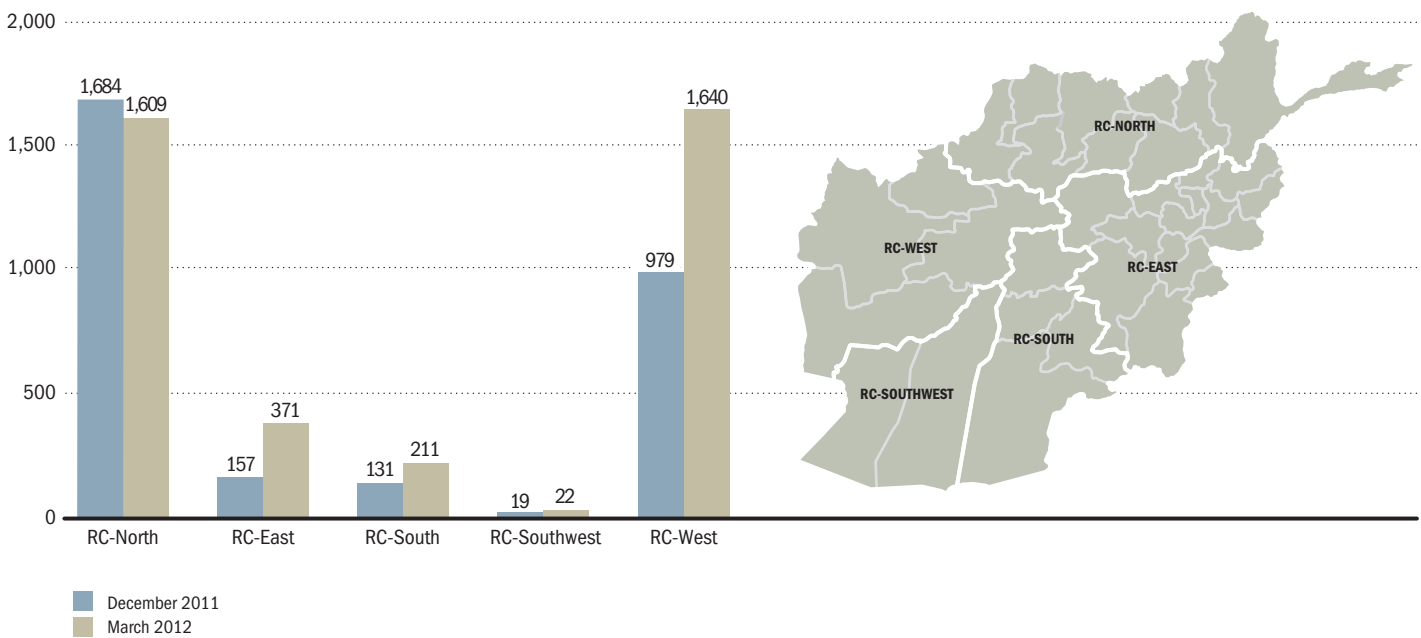
Reintegration continued to be most successful in the north and west: as of March 30, 2012, about 84% of reintegrees were located in those regions, as shown in Figure 3.27 on the next page. More than one of every three reintegrees comes from either Herat or Badghis, according to DoD. These provinces have energized leadership and effective cooperation with the National Directorate of Security (NDS).<sup>195</sup>

In the south and east, the focus was on establishing formal reintegration programs. The APRP Joint Secretariat tasked regional coordinators with analyzing grievances and prioritizing them for resolution; DoS expected that the Secretariat will also assign this task to provincial peace committees. DoS noted that although the number of formal reintegrations had not increased significantly, provincial APRP personnel are becoming more active and competent.<sup>196</sup>

# GOVERNANCE

FIGURE 3.27

## REINTEGRES BY REGIONAL COMMAND, DECEMBER 2011 AND MARCH 2012



Note: The decrease in RC-North was due to the Joint Secretariat disqualifying about 250 previous enrollees from Sare Pul this quarter.  
Sources: DoS, responses to SIGAR data call, 3/30/2012 and 12/30/2011.

The APRP also helped negotiate several important peace deals in Herat, Ghor, Kunar, and Nangarhar. DoD noted that these deals resolved long-standing, violent, intra-tribal conflicts. The ISAF-supported APRP strategy for final grievance resolution, which was near completion, should accelerate similar peace deals in the country.<sup>197</sup> According to the UN Secretary-General, endorsement of reintegration efforts last quarter by the Loya Jirga has reinvigorated reintegration activities. For the first time, insurgents from Kabul and Zabul reintegrated.<sup>198</sup>

### Kandahar Reintegration

In Kandahar, funding and security challenges continued to hinder reintegration efforts, but informal reintegration activity proceeded. Problems with funding have threatened the long-term sustainability of reintegration efforts in the province—especially the Provincial Joint Secretariat Team (PJST). In addition, the public reactions to the burning of Korans and the killings in Kandahar hindered the PJST's mobility in the region. However, the PJST was able to communicate more effectively with the central government and travel to Kabul during this reporting period.<sup>199</sup>

Informal reintegration in Kandahar has largely consisted of low-ranking insurgents informing their village elders that they want to stop fighting in



exchange for returning to their community without being penalized. Although the elders sometimes help broker solutions to the disputes that caused a fighter to join the insurgency, DoS noted that most elders are not active in the APRP because they either wish to avoid unwanted attention or have problems with the program's process.<sup>200</sup>

## Eastern Reintegration

This quarter, reintegration progress in the eastern provinces remained inconsistent, although support programs and peace negotiations were forming and solidifying in some areas. The PJST in Paktika formed a peace council that is awaiting funding approval from the Joint Secretariat. In Paktiya, preliminary negotiations took place about conducting a peace shura and a tribal unity shura. In Nangarhar, the new provincial peace council and PJST, which began operating in December 2011, led to improvements in reintegration efforts this quarter. DoS noted that Khowst has not been as successful as other eastern provinces in its conduct of reintegration activities.<sup>201</sup>

## Capacity Development for Reintegration

This quarter, the APRP's Joint Secretariat held a number of targeted capacity-building sessions for PJSTs because the teams' capacity—and implementation of the APRP—continued to vary considerably. The Joint Secretariat planned to conduct those sessions throughout 2012. DoS is examining whether a PJST capacity-building program can be funded through DoD's Afghanistan Reintegration Program.<sup>202</sup>

This quarter, the provinces made progress in implementing action plans for accelerating reintegration. Increased training, improved planning, and better communications with Kabul have helped the APRP become more effective at the local level. In addition, a plan for APRP at the national level was developed for the current Afghan fiscal year (solar year 1391, which began March 21). This quarter, DoS noted that the PJSTs had more access to reintegration funds and were using these funds properly. National financial managers have successfully declined unauthorized expenditures by provincial staff.<sup>203</sup>

This quarter, provincial peace councils and local authorities conducted more outreach programs to support reintegration. However, these outreach efforts have had only a limited impact because most provincial peace councils do not have broad representation from civil society, women, or victims' groups, according to the UN Secretary-General.<sup>204</sup>

Elements of ministries and the security forces are increasingly being asked to support the APRP. The High Peace Council, APRP Joint Secretariat, and ISAF are working with the Afghan government to engage the Afghan National Army, NDS, Ministry of Hajj and Religious Affairs, and the Ministry of Border and Tribal Affairs in reconciliation efforts, according to DoD.<sup>205</sup>

Vetting of reintegrees has improved since the program began, when vetting processes were not properly defined, according to the ISAF Force

Reintegration Cell.<sup>206</sup> However, the UN Secretary-General noted that although the APRP's Joint Secretariat adopted standard operating procedures for vetting, local peace councils have independently promised amnesty to insurgents who join the program.<sup>207</sup>

**Community recovery programs, which were launched in August 2011, are put in place after insurgents who choose to reintegrate have been formally demobilized. The programs provide funds for such activities as demining, agriculture, vocational training, and literacy; they are designed to benefit reintegrees and the communities that accept them.**

Sources: DoD, responses to SIGAR data call, 4/3/2012 and 12/30/2011.

## Community Recovery Programs

Ministries supporting the APRP have expanded the availability of community recovery activities for reintegrees and their communities. DoS noted that the Joint Secretariat has made significant progress in reducing the amount of time between when an insurgent comes forward to reintegrate and when he receives transition assistance.<sup>208</sup>

From October 2011 to March 2012, the APRP vastly improved its delivery of community recovery programs, according to DoD.<sup>209</sup> It implemented more than 180 community recovery projects for 1,719 reintegrees; however, violence in the south and east made it more difficult to deliver assistance in those volatile regions, according to DoS. More than 62,000 reintegrees and community members benefited directly from community recovery projects. In addition, the APRP had approved at the provincial level 35 small grant programs, 21 of which were being implemented by the end of the quarter, according to DoS.<sup>210</sup>

## NATIONAL AND SUB-NATIONAL GOVERNANCE

The United States supports a number of efforts to improve Afghanistan's national and sub-national governance in such areas as capacity building, local governance, and civil service training. International partners have also committed to continue their support in these areas. On January 28, 2012, the United Kingdom and Afghanistan signed a strategic partnership declaration outlining the commitment of the United Kingdom after 2014.<sup>211</sup>

## National Assembly

On March 5, 2012, the Wolesi Jirga confirmed all nine of President Karzai's ministerial nominees. The nomination process was drawn out—it began in 2010—and contentious, but the entire cabinet has now been confirmed. Seven of the nominees had been serving in an acting capacity at their ministries, according to DoS. The Wolesi Jirga did not pass any significant legislation this quarter.<sup>212</sup>

This quarter, the National Assembly questioned the Minister of Finance on why his and other ministries had failed to follow their allotted budgets during the past fiscal year. The Wolesi Jirga had planned to call for questioning up to 15 additional ministers on these budget issues, but it shifted its focus to confirming the cabinet nominees.<sup>213</sup> At press time, the Wolesi Jirga had not passed the budget for the current fiscal year.<sup>214</sup>

## PRT and DST Support

This quarter, heightened security restrictions resulting from the fallout from the inadvertent Koran burnings at Bagram Air Force Base and the alleged massacre in Kandahar limited the ability of the staff of Provincial Reconstruction Teams (PRTs) and District Support Teams (DSTs) in southern and eastern Afghanistan to travel and engage with their Afghan counterparts. Under the restrictions, PRT and DST staff in eastern Afghanistan could contact their Afghan counterparts only through phone and email, although meaningful work still occurred, according to DoS.<sup>215</sup>

## Provincial and District Governance

DoS noted that local governance in the south and east had improved in terms of leadership, financial management, coordination with the central government, and freedom of movement. Nevertheless, provincial and district governments continue to struggle to overcome many challenges, such as the lack of governing capacity and inadequate judicial resources. This quarter's incidents provoked anger throughout the country, but many Afghan officials made effective efforts to control the situation.

### Khowst Province

In Khowst, the provincial line directors have strengthened their ties to the central government's line ministries, and the Afghan government appears to have gained some legitimacy in the eyes of provincial elders in some areas. Line directors often travel to Kabul to lobby line ministries for additional resources and infrastructure projects in Khowst. This has made the provincial government better informed about the status of projects and has improved its influence and execution of projects, according to DoS. The formal justice system has also improved. For example, a Kabul Supreme Court delegation resolved 105 backlogged cases, resulting in 75 convictions.<sup>216</sup>

Although recent assassinations of elders by insurgents have left many wary of showing support for the government, the district governor in Shamal has had some success encouraging elders to openly support the government. In addition, at a shura in Gorbuz this quarter, elders vowed to oppose criminals and support the government. DoS noted that this commitment could help ease the implementation of projects to improve the Ghulam Khan corridor, a trade route that leads to Pakistan.<sup>217</sup>

### Nangarhar Province

Leaders in Nangarhar helped quell the violent protests following this quarter's adverse events, during which two U.S. soldiers were killed. The provincial governor convened a large gathering of elders, maliks (tribal leaders), and mullahs, and asked them to persuade their followers to remain calm. The governor also directed ANSF forces to protect ISAF facilities; this order provided important and effective protection to ISAF personnel in the province, according to DoS.<sup>218</sup>

**During much of the reconstruction effort, central line ministries typically have implemented development projects in the provinces and have not fully communicated with their line directorates. DoS noted that the U.S. Embassy Kabul works with the Ministry of Finance to improve communication about projects between the central and local governments.**

Source: DoS, response to SIGAR data call, 3/30/2012.

## Paktika Province

In Paktika, the makeup of the province's leadership has changed, but the PRT has continued its partnership program, according to DoS. PRT staff helped the new director of education travel to remote areas to reopen schools and deliver salaries. DoS noted that such visits have often been haphazard and ill planned.<sup>219</sup>

The ALP helped improve security in Paktika as well, enabling local officials to travel more and engage with more citizens. Because of the security situation, judges had been confined to Sharana district, the province's capital. This quarter, nine judges were sent to three other districts; however, the judges' ability to improve the justice system was minimized because those areas had a severe shortage of prosecutors and no defense attorneys. In addition, in February, the new ALP unit in Yahia Khel aided in the reopening of a bazaar.<sup>220</sup>

## Paktiya Province

This quarter in Paktiya, the restrictions on PRT and DST staff made it difficult for U.S. staff to engage with some members of the government, and development activities slowed; however, meetings with officials and shuras did occur. The tribal land dispute in Jaji district discussed in previous SIGAR quarterly reports continued to provoke tensions: two fatalities occurred in February. In response, the Provincial Peace Council chair, the governor, and tribal elders agreed to extend a peace agreement until April 23, 2012.<sup>221</sup>

## Helmand Province

The governor of Helmand and the ANSF's effective response to the burning of Korans in February resulted in a relatively restrained response by the local population. Local officials have demonstrated increasing levels of leadership and have been more accepting of the role of the central government in resolving key issues.<sup>222</sup>

## Kandahar Province

The capacity and leadership of local officials vary considerably in Kandahar (Figure 3.28). In some districts where capacity is poor, progress is stifled. In Shah Vali Kowt, the district governor is inexperienced, barely literate, and does not have local legitimacy, according to DoS. In other areas, such as the district of Arghandab and the village of Dand, the government is very capable and fairly well-staffed. The Kandahar City government has developed its institutions, established better ties between governance and security, and is more connected to the provincial administration. The mayor has increasingly focused on resolving everyday matters like city codes, parking, and the vetting of construction vendors—all signs of improved governance, according to DoS.<sup>223</sup>

During the fallout from this quarter's adverse events, the provincial governor, the Kandahar Media Information Center, and the Kandahar Ulema Council were extremely proactive; however, the provincial government often failed to provide the districts with the leadership, oversight, and support required to make further improvements in governance. DoS noted that progress in district governance will

FIGURE 3.28

### KANDAHAR DISTRICTS



Source: USAID, "Afghanistan Provinces and Districts," 9/9/2009.

require the provincial government to enhance its capacity to provide strategic guidance and to support requests for on-budget operations, maintenance, and development resources. Since the Loya Jirga held in November 2011, provincial officials have increasingly traveled independently, often relying only on ISAF air support. District governors in insecure areas have traveled to previously inaccessible locations, both with and without ISAF support.<sup>224</sup>

The success of the district councils supported by USAID's Afghanistan Social Outreach Program (ASOP) in Kandahar has depended largely on their composition and legitimacy, and the district's security situation. In some districts, like Maiwand, Zhari, and Shah Vali Kowt, the ASOP-supported councils that were created in more volatile periods have resulted in councils largely made up of elders who are not legitimate in the eyes of the locals and who lack real decision-making authority, according to DoS. These councils have not continued to operate after ASOP funding ended. In other places, such as Dand and Daman, ASOP councils have become effective decision-making bodies.<sup>225</sup>

## Village Stability Operations

The **Village Stability Operations (VSO)** program had expanded its operations to more than 100 communities in 58 districts as of March 30, 2012. According to DoD, in districts where the program operates, governance has improved in villages, as well as between village and district authorities. A recent survey found that village leaders and district authorities interacted an average of three times every two weeks; the VSO supported nearly half of them. DoD noted that the VSO's successes are particularly significant because many other local governance efforts continue to struggle. The VSO is most effective in villages that have functioning government structures that the VSO can use. According to DoD, the Taliban has targeted Afghan Local Police (ALP) personnel who work with the VSO because it recognizes the threat the VSO and the ALP pose to the insurgency. In response, the ALP has become better at resisting attacks, making it possible for governance and development efforts in villages to continue to progress.<sup>226</sup>

**Village Stability Operations (VSO):** a program that partners with the ALP to protect rural and remote populations, reduce insurgent violence, and expand the influence of the Afghan government. U.S. Special Operations Forces and Afghan National Army Special Operations Forces conduct the VSO. The program facilitates the establishment of community development councils and shuras to connect villages to the districts. In addition to improving the capacity of district centers, the VSO helps villagers stand up against insurgents and provides development assistance.

## Capacity Building for Public Administration

In January and February 2012, all 34 provincial councils held their annual elections for their administrative boards. According to the UN Secretary-General, the elections were mostly free of controversy, but some disagreements arose over the definition of a quorum. The Secretary-General noted that these disputes highlighted the need for more widespread understanding of an agreement on election regulations. The Independent Directorate of Local Governance (IDLG) and the Independent Election Commission were working to resolve these challenges.<sup>227</sup>

## Provincial and District Government Vacancies

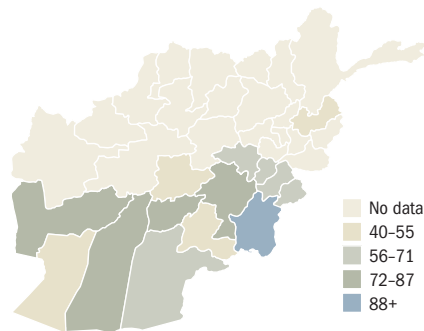
Insecurity, lack of education, and inexperience continued to hamper the process of filling civil service positions, but there were signs of improvements. In the 14 most insecure provinces, 70% of positions were filled as of April 11, 2012. This is

Source: DoD, responses to SIGAR data call, 3/30/2012 and 1/11/2011.



FIGURE 3.29

## PROPORTION OF CIVIL SERVICE POSITIONS FILLED, SELECTED PROVINCES (PERCENT)



Notes: Numbers affected by rounding. Data reflects the percentage of tashkil positions filled by either civil service or contracted employees in the ministries of Education, Agriculture, Interior, Public Health, Finance, and Communication and Information Technology, as well as the Independent Directorate of Local Governance. USAID provided statistics for only the 14 most insecure provinces.

Source: USAID, response to SIGAR data call, 4/18/2012.

an improvement from April 2011, when 50% of positions were filled. The ability of these provinces to fill open positions varied, as shown in Figure 3.29. The IDLG standards for recruitment of district governors were recently lowered from an undergraduate degree to a high school diploma. In Kandahar, Uruzgan, Zabul, and Helmand, education requirements were waived completely. USAID noted that these changes increased the number of applicants.<sup>228</sup>

From October 1, 2011, to March 30, 2012, the Independent Administrative Reform and Civil Service Commission (IARCSC) held job fairs in Nimroz and Khowst that recruited more than 514 individuals to the civil service. The Provincial Affairs Directorate in the IARCSC is establishing regionally based training teams to support human resources and administrative functions and is advertising job openings in neighboring provinces. The IARCSC also established a women's professional development center where women interested in joining the civil service can get information and talk with women civil servants.<sup>229</sup>

### Independent Administrative Reform and Civil Service Commission

Of the \$15 million in FY 2010 and FY 2011 grant funds available for on-budget support of the IARCSC, \$4.75 million had been disbursed as of March 31, 2012. Although the grant agreement restricts USAID's involvement in the spending of funds, the agency stated that it has been in close contact with the IARCSC to ensure that funds are used properly and that it reserves the right to conduct an audit of that use. USAID noted that the IARCSC met all of 14 benchmarks in human resources, organizational governance, asset management, financial management, and procurement, including the development of an assets management manual that will be disseminated to provincial IARCSC staff next quarter.<sup>230</sup>

### Afghanistan Civil Service Support

USAID's Afghanistan Civil Service Support (ACSS) program ended on March 20, 2012. USAID disbursed more than \$237 million for the program, which helped conduct 9 job fairs and recruit more than 1,500 new civil servants in insecure areas of the country. Insecurity continued to impede civil service recruitment; mobility restrictions and limited education remained challenges in the recruitment of women for the civil service.<sup>231</sup>

This quarter, ACSS trained more than 750 civil servants on new procedures for procurement, financial management, and human resources for the IARCSC. In addition, the ACSS helped to develop the IARCSC's ability to conduct technical capacity assessments. The IARCSC had conducted programs in 4 ministries and 3 provincial governments, as of March 30, 2012; it was preparing for 14 more.<sup>232</sup>

### RAMP UP Program

USAID provides technical assistance and capacity building to help municipalities improve their management; deliver services; and enable, support, and sustain economic growth. It provides this assistance through two programs: the Afghan Municipalities Program for Urban Populations (RAMP UP), which

operates in 33 municipalities, and the Kabul City Initiative (KCI). As of March 31, 2012, USAID had expended almost \$126 million for RAMP UP and almost \$15.8 million for KCI.<sup>233</sup>

RAMP UP and KCI activities address public works and services, such as park renovations; installation of public latrines; culvert, sidewalk, and drainage construction; procurement and installation of traffic management signs and intersection physical improvements; irrigation systems for medians and parks; basic demographics of the citizenry; communication and outreach; trash removal projects; solid waste collection; landfill expansion projects; and street asphaltting. USAID noted that RAMP UP and KCI have had a number of accomplishments, including improving tax collection revenue (almost 50% in RAMP UP areas, 60% in Kabul), improved accounting systems, a better trained civil service, establishment of transparency and anti-corruption measures, and greater civic and government participation in the planning and implementation of municipal projects.<sup>234</sup>

To improve the municipal operations of local governments, the programs face a number of challenges:<sup>235</sup>

- appointed mayors who do not feel accountable to the citizens/constituents
- a municipal law that is still in draft form
- inconsistent abilities of municipal officials
- security issues and their accompanying delays, especially in the south and east
- funding cuts
- lack of cooperation between the provincial governors and mayors
- difficulties in finding qualified subcontractors

## JUDICIAL REFORM AND RULE OF LAW

This section reviews Afghan and U.S. efforts to develop the judicial system. Development is concentrated on updating laws, educating and training Afghan legal professionals, strengthening the connections between the informal and formal systems, and improving prison and detention center conditions and operations.

### Criminal Procedure Code

In February 2012, the Council of Ministers approved a modified version of the draft Criminal Procedure Code (CPC). Later that month, the Taqvin department of the Ministry of Justice (MoJ) sent the modified draft to the Ministry of Parliamentary Affairs, which is charged with submitting the draft to the National Assembly. The legislation was submitted to the National Assembly in late March.<sup>236</sup>

### U.S. Justice Sector Support Program

As of April 1, 2012, attorneys and advisors for the Justice Sector Support Program (JSSP) included 216 U.S., Afghan, and third-country nationals, according to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL). The JSSP, an INL program, conducts training of Afghan legal professionals. That training has led to improvements in their professional capacity to



administer a sound judicial system in some provinces, according to DoS. The legal system in Herat has become more professional, transparent, and sustainable. In addition, graduates of JSSP programs in Bamyan are better able to argue cases and cite specific laws. This quarter, the JSSP trained 343 judges, defense attorneys, prosecutors, police officers, and other Afghan legal professionals. The training covered a number of topics:<sup>237</sup>

- preparation of defense documents and trial advocacy
- gender justice issues, including rape, adultery, forced marriage, and the issue of “running away”
- human rights and torture
- legal ethics
- effective oral arguments and opening and closing statements
- prosecution of terrorism, kidnapping, and trafficking
- crime scene investigations

On March 11, 2012, the United States signed an agreement with the Afghan government to allocate more than \$238 million for programs related to rule of law, counter-narcotics, and law enforcement. The funding will support justice programs such as the Afghan Legal Education Project, which publishes and distributes free legal textbooks. The funding also will support counter-narcotics and law enforcement efforts through the operation of 29 residential drug treatment centers and more joint Afghan-U.S. interdiction efforts.<sup>238</sup>

**USAID’s Rule of Law and Stabilization program has two components—formal and informal. The goals of the formal program are to build the capacity of the judiciary, institute a court management unit, build the capacity of faculties at law schools and Sharia schools, and increase public awareness of the formal justice system. The informal program trains village elders in dispute resolution, Afghan law, and Sharia law. The informal program also works to strengthen links between the formal and informal justice systems.**

Source: USAID, response to SIGAR data call, 7/4/2011.

## USAID Rule of Law Stabilization Program

As of March 31, 2012, USAID had obligated more than \$36 million to support both the formal and informal components of its Rule of Law and Stabilization program. The program has been successful in meeting its goals for building the capacity of the judiciary and law schools, according to USAID. As of February 2012, the program had a number of accomplishments:<sup>239</sup>

- trained 579 judges; 76% of all civilian judges had completed the judicial stage program
- reached 27% of the population through legal awareness campaigns
- produced and disseminated almost 3.2 million printed legal documents
- completed a baseline assessment of the informal justice system to help USAID measure increases in stability

The connection between the more traditional, informal dispute resolution system and the government’s formal justice system varies throughout the country. USAID noted that central and local government officials generally do not have a common understanding of the recognition and prevalence of the informal system; local government institutions continue to refer parties to the traditional system.<sup>240</sup>

## Detention Center Transfer

On March 9, 2012—in response to the demand from President Karzai—the United States and the Ministry of Defense signed a memorandum of understanding that

began the transfer of control of the Detention Facility in Parwan (DFIP) from the United States to the Afghan government.<sup>241</sup> The DFIP, which is located adjacent to Bagram Airfield, holds more than 3,000 individuals detained by the United States. The transition is scheduled to take place by September 9, 2012, if the U.S. and Afghan governments meet certain conditions, according to DoD.<sup>242</sup> Under the agreement, the Afghan government is responsible for resourcing and managing the facility, organizing appropriate procedures for processing detainees, and determining their disposition under the law, according to DoS.<sup>243</sup> DoD noted that a physical divider will be built between Bagram Airfield and the facility.<sup>244</sup> The United States will assist in the transfer process and continue to provide advisory, technical, and logistical support at the facility until March 9, 2013.<sup>245</sup>

The success of the detainee transfer will be affected by the development of the judicial system because many detainees will face criminal prosecution. The Combined Joint Inter-agency Task Force-435 (CJIATF-435) is working with Afghan leaders to establish a detainee review system similar to the system in use in the United States, to ensure that the transfer complies with international law and the memorandum.<sup>246</sup>

The Afghan government's record of violating detainees' rights continued to provoke criticism and cause delays in the transfer of detainees from U.S. to Afghan control. For more information on the human rights issues and their effect on operations, see "Human Rights" later in this section.

## Prison Operations

This quarter, the MoI officially took over responsibility for the Central Prisons Directorate (CPD) from the MoJ, completing a process initiated by President Karzai in April 2011 after more than 470 prisoners escaped from the Saraposa prison in Kandahar.<sup>247</sup> The move reversed the August 2003 transfer of the CPD to the MoJ from the MoI. The non-governmental organization Human Rights Watch (HRW) expressed concern that the transfer to the MoI could put detainees at heightened risk for torture and other abuses because ANP personnel who have been implicated in human rights abuses would have direct authority over suspects during interrogations. According to HRW, the transfer casts doubt on the government's stated commitment to end abusive practices at its prisons and detention centers.<sup>248</sup> According to the UN Secretary-General, the MoI has committed to having the CPD report directly to the Minister of the Interior, not through the ANP or any other departments.<sup>249</sup> INL is working with its partners in the international community to draft legislative proposals that will ensure that CPD operations are separate from the ANP, according to DoS.<sup>250</sup>

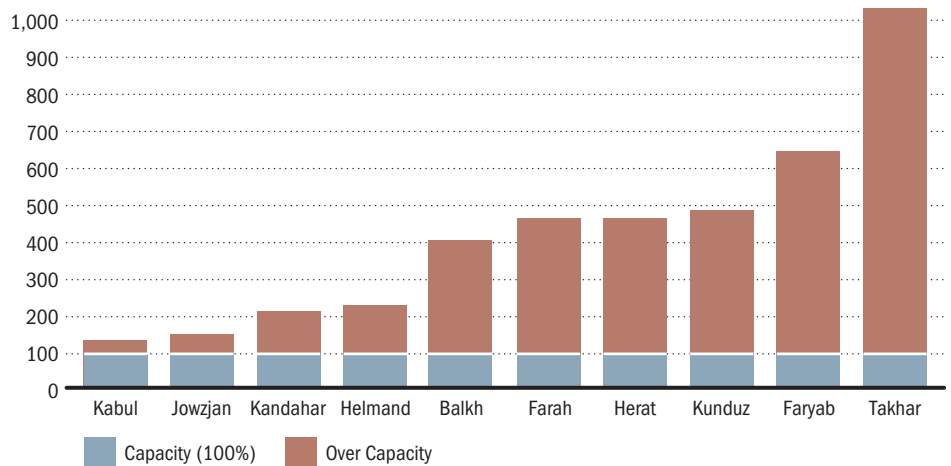
## Overcrowding

Afghanistan's prisoners continued to be imprisoned in overcrowded facilities throughout the country, as shown in Figure 3.30 on the following page. As of March 30, 2012, provincial prisons held more than double their capacity (202.4%).

FIGURE 3.30

## PROVINCIAL PRISON OVERCROWDING

Top 10 Prisons by Number of Inmates (PERCENT)



Notes: The capacity level of each prison is calculated using the International Committee of the Red Cross allowance of 3.4 square meters per prisoner. Data is as of 3/31/2012.

Source: DoS/INL, response to SIGAR data call, 4/6/2012.

To alleviate overcrowding, INL is funding the construction of new prisons in Wardak and Baghlan. Additionally, funding has been provided for the construction of a new prison in Balkh and a 2,000-bed expansion of the Herat prison, along with the total renovation of all of the Pol-i Charki prison housing units. These projects will add approximately 4,000 beds and improve conditions for thousands of Afghan prisoners.<sup>251</sup>

## Prisoner Classification

As of March 30, 2012, all of Afghanistan's 33 provincial prisons were working to classify and keep records of their prisoners. INL's Corrections System Support Program (CSSP), in partnership with Afghanistan's CPD, had classified about 12,000 prisoners from January 2011 to March 31, 2012. Prisoner classification includes the prisoner's criminal history and the severity of the crime. Since the program began in 2010, INL had provided about \$2 million per year for classification efforts. INL noted that the implementation of this system helps leaders make important decisions that affect prisoner safety and security.<sup>252</sup>

## ANTI-CORRUPTION

SIGAR reviews and monitors a number of issues and indicators related to corruption in the Afghan government; corruption continues to be a significant impediment to reconstruction efforts. This quarter, progress in Afghan investigations and prosecutions of corrupt officials remained stagnant. The implementation of asset verification efforts was slow and uneven, and little

### SIGAR ACTIVITY

In February, Acting Inspector General Steven Trent visited Kabul to discuss the ongoing problem of corruption with Afghan and U.S. officials. His meetings included discussions with the Monitoring and Evaluation Committee, the UN Assistance Mission to Afghanistan, Attorney General Aloko, Senior Minister Arsala, and Ambassador Ryan Crocker.

progress was made to counter corruption at customs points of entry. The United States continued to advocate for improved anti-corruption programs and policies within the Afghan government and began a new initiative that is intended to spark progress in high-level prosecutions.

## U.S. and International Assistance for Anti-Corruption Efforts

The United States and the international community have developed a number of programs and committees to help officials counter government corruption. These efforts continue to face a fair amount of resistance from some high-level officials.

### Monitoring and Evaluation Committee

This quarter, the Afghan government sought to modify the role and place of the Monitoring and Evaluation Committee (MEC). On February 11, 2012, President Karzai told members of the MEC that the committee must limit its work to concentrating on international donors and determining how Afghan institutions are spending donor money. According to DoS, this differs radically from the MEC's terms of reference, which specify a focus on monitoring and evaluating the government's progress in its anti-corruption efforts. After Karzai's declaration, negotiations took place that appeared to moderate Karzai's position, and the MEC was operating under its original framework.<sup>253</sup>

In other developments this quarter, the High Office of Oversight (HOO) attempted to gain jurisdiction over the MEC, although it appeared to DoS that Karzai believed that the MEC should remain independent. This quarter, the MEC presented two sets of anti-corruption benchmarks to the Afghan government that Karzai and his cabinet apparently found amenable.<sup>254</sup>

### Task Force Shafafiyat

This quarter, the CJIATF-Shafafiyat continued to establish coordinated anti-corruption efforts between U.S., international, and Afghan government agencies. These efforts included the CJIATF-Shafafiyat's Corruption and Organized Crime Interagency Effects Group. The group, which consists of representatives from U.S. agencies and international partners, focuses on improving the understanding and response to corruption in the customs and security sectors. DoD noted that the group will also soon focus on the judicial sector. In addition, the CJIATF-Shafafiyat, U.S. Central Command, and the Afghan Threat Finance Cell are developing a list of nominees for designation as kingpins for Treasury's Office of Foreign Asset Control.<sup>255</sup>

The CJIATF-Shafafiyat was also leading the proposal of an inter-agency body to develop cases and manage the application of targeted sanctions and international law enforcement actions against transnational Afghan criminal networks. The proposal had been approved by DoD and the U.S. Embassy Kabul and was awaiting final interagency review. Another joint Afghan and international anti-corruption group completed a 54-point anti-corruption action plan for the Ministry of Defense. The plan focuses on logistics, acquisitions, and personnel systems and was being implemented as of March 30, 2012.<sup>256</sup>

**The Combined Joint Inter-agency Task Force Shafafiyat works with the Afghan government to initiate mentorship and training with the High Office of Oversight for Anti-Corruption, the Office of the National Security Council, the Ministry of Finance, the Ministry of Commerce and Industries, and the Ministry of Interior. Training focuses on developing capacity for criminal investigations, prosecutions, and regulations designed to prevent corruption and prosecute those who perpetuate it.**

Source: OSD, response to SIGAR data call, 10/11/2011.

ISAF and its international partners—with the help of the CJIATF-Shafafiyat—are also working with Afghan leaders to integrate assessments of corruption and organized crime into their transition planning process. This work is intended to ensure that the security and governance institutions in areas of transition are not subverted by criminality. DoD noted that ISAF had also developed with UNAMA and other international partners a number of progress indicators for governance and anti-corruption.<sup>257</sup>

## SIGAR INVESTIGATIONS

SIGAR's robust suspensions and debarment program has resulted in 88 referrals, which had resulted in 21 suspensions, 45 proposals for debarment, and 5 finalized debarments as of the end of 2011. For more information, see Section 2, page 35.

## Vendor Vetting

Task Force 2010, the Senior Contracting Official-Afghanistan, and the ISAF Joint Command (IJC) are partnering to promote a better process for vetting vendors. The three organizations intend to form a new advisory panel on business integrity to replace the current one, which was created by IJC. They announced plans to improve the integrity of the vendor vetting process and disseminate the results more widely. In addition to the current risk assessment techniques, the new panel will assess risk by reviewing past performance, legal background checks, and intelligence information. It will also devise strategies to address high-risk companies.<sup>258</sup>

As of March 30, 2012, Task Force 2010 had conducted more than 2,000 contract assessments and reviewed tens of thousands of financial transactions to identify companies that have ties to the insurgency, criminal patronage networks, or power brokers. After identification, Task Force 2010 has used suspension and debarments to deny vendors further contracting funding. As of March 30, 2012, Task Force 2010 had avoided about \$1.2 billion in contract costs through improved contract oversight. The Task Force began vetting vendors in August 2010; 102 of the 1,387 vendors that have been vetted have been assessed as high force protection risks, as of March 30, 2012. In addition, 81 U.S., international, and Afghan companies have been debarred.<sup>259</sup> SIGAR has collaborated with the task force by documenting and preparing proposals for suspensions and debarments and developing a methodology to allow for greater access to information. For more information, see Section 1.

U.S. Forces - Afghanistan also convened a contract oversight and management shura on January 19–20, 2012. At the shura, participants agreed to 26 actions intended to improve oversight and management.<sup>260</sup>

## USAID's Assistance to Anti-Corruption Authority (4A)

This quarter, USAID's Assistance to Anti-Corruption Authority (4A) program supported the anti-corruption efforts of the Afghan government—particularly the HOO—in asset verification, coordination, process improvement, public outreach, and whistle blowing. The program continued to face persistent problems, including bribery in the asset registration process, undependable political support, and inadequate staffing and skills in the HOO, according to USAID. As of March 30, 2012, USAID had obligated \$6 million for 4A, about \$5 million of which had been

expended. USAID is considering funding the second option year to focus on engaging civil society. As of March 30, 2012, 4A had assisted the HOO in a number of accomplishments:<sup>261</sup>

- completing 43 asset registration workshops for ministries and agencies
- drafting a non-disclosure agreement to protect officials when they submit asset declarations
- signing nine coordination-related memorandums of understanding between ministries and the HOO
- installing secure complaint boxes in the ministries and agencies

4A also identified a number of ministries that are receptive to undertaking business process redesigns to develop more transparent and accountable business practices that would be less vulnerable to corruption. As the first step to redesigning the business process, the ministries of Public Health and Public Works have approved the launch of special units to assess their vulnerability to corruption. The HOO will carry out the coordination and training, and 4A will provide technical advice and guidance.<sup>262</sup>

This quarter, 4A selected three civil society organizations to design and implement public outreach projects to educate and engage citizens, organizations, and communities on ways to combat corruption through administrative intervention. 4A's grant project is intended to establish a Citizens Legal Advocate Office to resolve corruption complaints and issues through administrative intervention.<sup>263</sup>

## Infrastructure Monitoring

A U.K.-supported anti-corruption program to help Afghan citizens monitor the delivery of infrastructure projects continued to expand this quarter. From December 2011 to February 2012, community-based monitoring efforts expanded from 184 to 239 projects. The U.K. Foreign and Commonwealth Office noted that communities can flag projects that do not meet requirements or have poor-quality construction materials.<sup>264</sup>

## Afghan Anti-Corruption Efforts

The Afghan government has a number of agencies and government-wide efforts that are designed to counter corruption. As of the end of this quarter, these efforts had fallen short of delivering the reforms, prosecutions, and structural changes needed to prevent corruption.

The following subsections describe the status of anti-corruption efforts made this quarter by six Afghan government bodies:

- Attorney General's Office
- High Office of Oversight for Anti-Corruption
- Anti-Corruption Unit
- Major Crimes Task Force
- Control and Audit Office
- Anti-Corruption Tribunals



## **Afghan Attorney General's Office**

The Afghan Attorney General's Office (AGO) continued to avoid prosecuting significant corruption cases this quarter: it did not prosecute any high-level officials at the national or provincial levels. However, the AGO did form a Special Cases Committee (SCC) in January 2012 with the stated aim of significantly improving its prosecution of major corruption cases like the National Military Hospital case, which involves the solicitation of bribes for medical care by hospital staff.<sup>265</sup>

The SCC is intended to prioritize, organize, facilitate, and monitor efforts related to significant public corruption cases; it will not investigate and prosecute cases on its own. The SCC's role is to make sensible decisions about prosecution and court proceedings in major cases. The SCC is made up of Afghan and international officials selected by the Attorney General, including senior prosecutors from the AGO's Anti-Corruption Unit (ACU) and Military Anti-Corruption Unit, as well as representatives from the CJATF-Shafafiyat, the U.S. Embassy Kabul, EUPOL, and the British Embassy. DoS noted that the establishment of the SCC is the first positive development in prosecuting and investigating major corruption cases since the fallout from the arrest and subsequent release of President Karzai's advisor, Muhammad Zia Salehi, in 2010.<sup>266</sup>

## **High Office of Oversight for Anti-Corruption**

The HOO's core functions of combating corruption remained mostly ineffective this quarter, and some have deteriorated. According to DoS, under the leadership of Dr. Azizullah Lodin, the HOO has improved the collection of asset declarations; however, the verification of those assets has remained stagnant, and the data has not been made public.<sup>267</sup>

DoS noted that Lodin headed the inquiry into the Kabul Bank scandal that led to a cover-up of those responsible for the bank's failure and delayed prosecutions. Although Lodin has been publicly outspoken in his commitment to fighting corruption, the HOO has not followed through with appropriate actions. This disappointing record has diminished the HOO and Lodin's credibility.<sup>268</sup>

## **Anti-Corruption Unit**

This quarter, the Department of Justice (DoJ) and the JSSP continued its suspension of training of the Anti-Corruption Unit (ACU). DoS noted that training will likely resume if the work of the SCC is taken seriously.<sup>269</sup>

## **Major Crimes Task Force**

This quarter, the Major Crimes Task Force (MCTF) made no progress in getting the AGO to prosecute the public corruption cases the MCTF had developed. The DoJ did assign a senior legal advisor to review cases with the MCTF to see whether the SCC can use the MCTF's investigations.<sup>270</sup>



## Control and Audit Office

This quarter, the National Assembly's legislative committee rejected a draft audit law to strengthen the Control and Audit Office (CAO). Since at least 2009, the MoJ and the National Assembly have been unable to reach an agreement about the law. According to DoS, the committee expressed a number of concerns about the most recent draft law:<sup>271</sup>

- The Auditor General should be appointed for 6 to 10 years.
- The CAO should have an independent budget.
- The CAO should be accountable to the President and the President of the Parliament.
- The Auditor General should be selected by a parliamentary committee and approved by the President.

## Anti-Corruption Tribunals

The Afghan government's Anti-Corruption Tribunals (ACTs) have not had a great deal of success in countering corruption. The ACTs in Kabul, Nangarhar, Balkh, and Herat are properly functioning; however, others are not, including those in Kunduz and Kandahar, according to DoS. ACT judges face a number of challenges in their work:<sup>272</sup>

- inconsistent sentencing standards
- insufficient training
- underdeveloped case management systems
- considerable political pressure from local officials
- inadequate facilities

## Anti-Corruption Issues

In addition to administrative and procedural improvements aimed at reducing corruption, Afghan and international efforts focus on certain areas prone to corruption. The following sub-sections address legal requirements, customs enforcement, and oversight of Afghan government personnel and government bodies.

## Anti-Corruption Laws

Afghanistan's laws do not conform to its treaty obligations under the UN Convention Against Corruption (UNCAC), which it adopted in 2004. DoS noted that the Afghan government has proposed amendments to existing laws and enacted new laws to address the UNCAC, but that progress has been slow and sporadic.<sup>273</sup>

## Corruption in the Afghan Civil Service

A policy aimed at implementing a merit-based hiring system of provincial and deputy-provincial governors has remained stalled since May 2011, when the policy was suspended. A new policy was at the President's Office pending approval as of March 31, 2012. The Independent Appointments Board of the Civil Service Commission has continued to appoint civil servants in grades one and two to line ministries, using a merit-based system.<sup>274</sup>

## Financial Oversight

The Afghan government has had some difficulties in conducting financial oversight of its ministries. Managers within ministries have not established and clearly communicated the objectives of financial controls, and there are few procedural documents to help most staff understand the controls, according to the U.S. Department of the Treasury (Treasury). Internal audits in line ministries usually focus on compliance and have limited scope for undertaking systems audits and developing management actions to improve process efficiency. Treasury noted that some ministries, including the Ministry of Education, do have proper internal control practices, which should be shared or implemented throughout the government.<sup>275</sup>

## Progress in Asset Verification

The Afghan government's progress in implementing asset verification for government officials continued to fall short of U.S. expectations. The asset verification and registration department in the HOO has insufficient staff, lacks the expertise required to carry out its mission, and faces uncooperative Afghan agencies. DoS noted that these limitations remain despite years of international support for verification efforts. Weak political will at the HOO and at high levels of government have been the biggest hindrance toward adequate verification efforts.<sup>276</sup>

As of March 31, 2012, the HOO was pursuing asset verifications of seven ministers and eight directors. More than 2,300 government officials had completed their declarations, and these declarations were generally accurate, according to DoS. However, the HOO has refused to report to DoS the extent to which it has referred any suspicious asset declarations to the AGO. DoS considered it unlikely that the AGO has investigated any dubious declarations.<sup>277</sup>

Many officials have been unwilling to fully declare their assets because they fear that the information could be used in blackmail or hostage-taking. DoS noted reports of HOO officials soliciting bribes for ensuring that declarations are not verified or published. In addition, the collection of asset data is inconsistent: high-ranking officials sometimes have more time to submit their declarations than lower-level officials. The international community has been unable to persuade the Afghan government to enact a law that establishes penalties for delaying or failing to submit such declarations.<sup>278</sup>

In addition to the asset verification conducted through the 4A program, the United States has established a working formal relationship between the HOO's asset verification and registration department and the Financial Transactions and Reports Analysis Center (FinTRACA) that enables the two agencies to exchange suspicious transaction data securely.<sup>279</sup>

## Corruption in Customs Collections

Customs collections are very susceptible to fraud and corruption at all major entry points, and the Afghan government continued to make little progress counteracting the problem. Corruption issues range from small bribes paid to customs

inspectors to large-scale smuggling and fraud that are often tied to provincial governments and criminal patronage networks, according to DoS. Customs collection has grown tremendously during reconstruction—from \$50 million in 2004 to almost \$1 billion in 2011. However, staff members at inland custom depots have suggested that up to 70% of potential border revenue is lost because of corruption. The Presidential Executive Commission (PEC) was designed to root out corruption in customs collections, but it had still not been established as of March 30, 2012. DoS noted that the PEC's authority could be used for counter-corruption efforts at borders, airports, and customs depots.<sup>280</sup>

The U.S. Department of Homeland Security's Border Management Task Force is the main U.S. agency that aids the Afghan government in its development of anti-corruption measures at customs locations in Afghanistan. The Task Force provides infrastructure and training programs to the Afghan Customs Department and Afghan Border Police.<sup>281</sup>

## Passport Access

The Afghan government has been unable to meet the demand for passports, and its passport agency is beset by corruption. The Afghan Passport Agency is limited in its ability to efficiently process passports, according to DoS.<sup>282</sup> In October 2011, the government announced that it was running out of blank passports and would no longer issue them. Radio Free Europe/Radio Liberty reported that as of February 9, 2012, more than 1 million Afghans were waiting for a passport. To alleviate the shortage, the Ministry of Finance (MoF) ordered the production of 1.4 million new passports; 35,000 of them arrived in March 2012.<sup>283</sup>

Because of the massive shortage in passports, some passport officials have illicitly sold passports to middlemen, giving rise to a thriving black market in which passports can easily be bought for \$500–700. Staff members of the Afghan Passport Agency illegally sell passports on the street outside the department. In addition, because Afghan passports lack basic controls such as lamination, they can easily be altered. According to DoS, the U.S. Embassy Kabul has been unsuccessful in its attempts to develop a relationship with the Passport Agency.<sup>284</sup>

## HUMAN RIGHTS

In a report released this quarter, Human Rights Watch harshly criticized the depth of the Afghan government's commitment to protecting human rights. It claimed that the government continues to give free rein to warlords, human rights abusers, and corrupt politicians and business people. The report also noted that the government has not been aggressive in curbing either long-standing practices of torture and abuse in prisons or violations of women's rights.<sup>285</sup>

## Detention Center Operations

This quarter, human rights issues at detention centers continued to provoke controversy and operational changes as ISAF and the Afghan government worked to alleviate abuses at detention centers that had been discovered by

outside observers. In October 2011, the United Nations Assistance Mission in Afghanistan (UNAMA) identified the practice of systemic torture at 16 Afghan facilities. Last quarter, ISAF suspended the transfer of detainees to those 16 facilities. This quarter, ISAF implemented on-site inspections and remediation training at those facilities for investigative personnel of the NDS and Afghan National Police (ANP). On February 15, 2012, ISAF announced it had recertified eight facilities and conditionally certified four others, pending further on-site inspections. ISAF resumed the transfer of detainees to the fully certified facilities; it will monitor any detainee it transfers from custody to trial.<sup>286</sup>

The Afghan government also implemented new policies and programs to prevent torture in Afghan detention facilities. The NDS established a human rights department to investigate allegations of abuse and torture, and instructed its staff to follow national and international standards. To reassess the treatment of detainees this quarter, UNAMA visited 78 detention facilities managed by the NDS, ANP, and CPD.<sup>287</sup>

A report released in March by the Afghan Independent Human Rights Commission (AIHRC) and the Open Society Foundation raised further concerns about the extent of human rights abuses and responses to them. The report's authors monitored facilities and interviewed detainees; they allege that torture took place at nine NDS facilities and several ANP facilities. Four of the NDS facilities had not been flagged in UNAMA's October 2011 report.<sup>288</sup> ISAF suspended transfers to those four facilities following discussions with the report's authors.<sup>289</sup>

Human rights violations cited in the report included beatings, suspension from the ceiling, abuse of genitals, electric shock, and sexual abuse. The AIHRC and the Foundation noted that these tactics were used routinely to obtain confessions or other information. In addition, they alleged that violations of detainees' due process rights were widespread and deliberate, including obstructions of the right to counsel and family notifications. They pointed out that hindering due process raises the risk of torture and other abuses. The report contends that the Afghan government generally has not held accountable the individuals responsible for these violations; in some cases, the government merely transferred them to other detention facilities.<sup>290</sup> The NDS disputed the findings of the report, according to media reports.<sup>291</sup>

## Gender Equity

Women have made great progress in Afghan society since the fall of the Taliban in 2001, when they had largely been excluded from virtually all levels of government, education, and the economy. According to the Foreign Ministry, as of March 21, 2012, the share of women participating in these areas had risen dramatically since 2001.<sup>292</sup>

- 28% of legislators in the Parliament
- 25% of government workers, including 9% of decision-making officials
- 24% of doctors and other medical workers
- 30% of schoolteachers and 15% of university teachers

Under Taliban rule, girls were not permitted to attend school. As of March 21, 2012, there were 3 million girls in school. Since 2001, there was also a 40% increase in female life expectancy, to 62 years from 44 years.<sup>293</sup>

On March 2, 2012, the **Ulema Council** of Afghanistan, a religious advisory board charged with raising awareness on religious matters, issued a statement with a number of troubling directives for women, including the following:<sup>294</sup>

- It forbids travel without the accompaniment of a close relative.
- It obligates respect for the right of men to maintain polygamous relationships.
- It prohibits interaction with “stranger men” in public places such as offices and schools.

A commissioner of the AIHRC said in a UNAMA publication that the Council’s statement had political objectives, likely aimed at demonstrating openness to the Taliban for negotiating women’s role in society. According to the commissioner, if the Council’s directives were followed, it would likely increase separation between the sexes and roll back women’s progress in society, education, and the economy.<sup>295</sup>

**Ulema Council:** a network of 3,000 clerics that advises the government. Since its formation, it has taken increasingly conservative positions. The Afghan government pays each cleric about \$100 per month. Members of the Council are supposed to promote the government’s policies; however, in August 2010, approximately 350 Council members demanded that the government implement Islamic (Sharia) law.

Source: Congressional Research Service, “Afghanistan: Politics, Elections, and Government Performance,” Kenneth Katzman, 2/27/2012.

## Children’s Rights

This quarter, according to the UN Secretary-General, the Afghan government reported progress in implementing the child protection plan signed in February 2011. The plan is designed to prevent recruitment of children into the Afghan National Security Forces, a practice that had put the ANP on the UN’s list of organizations that commit “grave violations against children in armed conflict.”<sup>296</sup> The Afghan government has issued decrees and conducted a program to raise awareness of children’s rights. The UN Secretary-General noted that child protection units in ANA and ANP recruitment sections have been established in Herat and Ghor. In addition, UNAMA has implemented mechanisms to monitor and report on the situation of children.<sup>297</sup>

## Displaced Persons

Since 2007, the number of internally displaced persons (IDPs) has continued to rise, according to DoS.<sup>298</sup> About 500,000 Afghans had been displaced as a result of the surge in hostilities as of January 2012, according to Amnesty International.<sup>299</sup> DoS pointed out that IDPs sometimes live in areas of disputed control and are often caught between anti-government elements and the international military.<sup>300</sup>

Amnesty International noted that IDPs face very difficult living conditions—even worse than poor families who have not been displaced. Their shelters are constructed from mud, poles, plywood, plastic sheeting, and cardboard; they typically provide little protection or warmth. Because of the unusually cold winter, nearly two dozen displaced children under the age of five froze to death in January 2012. Many families do not have access to the minimum recommended amount of water. In addition, because IDPs have a hard time finding employment, their families often do not get adequate food or basic health care. IDPs’ access to education is also extremely low. Most lack the identification cards





**Afghan refugees receive** clothes, blankets, and other aid from ISAF volunteers in Kabul on February 11. In 2011, about a quarter of all returning refugees settled in the capital. (U.S. Army photo, SPC Anthony Murray Jr.)

required to enroll; some are turned away for appearing dirty—a mostly unavoidable condition. Compounding the problem, men claiming to own the land on which IDPs find shelter routinely evict IDPs without notice.<sup>301</sup>

The Afghan government's programs to improve the lives of IDPs have been ineffective, inconsistent, and insufficient, according to Amnesty International. A land allocation initiative that began in 2005 has given displaced families houses and small plots of land; however, these allocations are typically located too far from employment, health care, schools, and sometimes even water. Furthermore,

Amnesty noted that some government officials and IDPs believe that only returning refugees—not IDPs—are eligible for these allocations. The organization stated that many Afghan government officials downplay the extent and permanence of the IDP issue. As a consequence, the government relies on international assistance to support IDPs and requests that such assistance be temporary.<sup>302</sup> The UN High Commissioner for Refugees (UNHCR) has advocated that the Afghan government should establish a national IDP policy.<sup>303</sup>

## Refugees

The number of voluntary returnees decreased in 2011 compared with 2010. The number returning from Pakistan has declined greatly in recent years. According to the UNHCR, many refugees cite insecurity and a lack of livelihood options as the major reasons for their reluctance to return. About a quarter of all returnees settled in Kabul in 2011.<sup>304</sup>

On January 29–31, 2012, Afghan, Iranian, and Pakistani officials met in Dubai to discuss solutions to the refugee problem. Pakistan and Iran together host about 3 million Afghan refugees. UNHCR has reported that up to 60% of returnees face significant problems rebuilding their lives. At the meeting, representatives of the three governments agreed to a strategy aimed at creating conditions conducive to voluntary repatriation through community investments and promotion of employment opportunities. According to the UN Secretary-General, the countries will launch the strategy in May 2012.<sup>305</sup>

## Freedom of the Press

Afghanistan ranks 150th of 179 countries in regard to freedom of the press, according to a report released this quarter by Reporters without Borders. The threat of violence from the Taliban, religious extremists, and political groups had the largest detrimental effect on journalists' freedom to investigate and report.<sup>306</sup>

## Afghan Human Rights Organizations

This quarter, President Karzai reappointed six of the nine AIHRC commissioners whose terms expired in December 2011.<sup>307</sup> As of March 30, 2012, the three remaining positions were still vacant, according to USAID.<sup>308</sup> The United States and some Afghan civil society organizations have advocated a transparent appointment process that includes consulting civil society organizations.<sup>309</sup> USAID pointed out that an opaque selection process or the appointment of commissioners solely loyal to Karzai could threaten the agency's independence.<sup>310</sup> DoS noted that the Afghan government should abide by the Paris Principles on National Human Rights Institutions by having an independent AIHRC that respects minority rights.<sup>311</sup> The Afghan government held discussions this quarter with civil society organizations about the appointment process, a move that both the UNHCR and UNAMA viewed positively.<sup>312</sup>





## ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2012, the U.S. government had provided more than \$22.3 billion to support governance and economic development in Afghanistan.<sup>313</sup>

This quarter, the U.S. government underscored the importance of “sustainable, inclusive economic growth” as essential to achieving the U.S. government’s overall goal of a stable Afghanistan that can provide for its own security and is not a safe haven for terrorists.<sup>314</sup> This is especially true because the transition may challenge the economic gains made so far. The government’s reiteration builds on a November 2011 report from the U.S. Department of State (DoS) stating that U.S. economic efforts in Afghanistan are designed to sustain growth to levels that meet the needs of the people, yet minimize government dependence on massive external assistance.<sup>315</sup>

For Afghanistan to sustain its economy and forestall any damage from the decreased spending, a number of efforts are necessary, according to a report delivered to Congress this quarter under the FY 2011 National Defense Authorization Act (NDAA). First, it must continue to develop the agriculture sector—the country’s largest source of employment—while improving food security and increasing exports. Achieving these objectives requires expanding regional transportation, which is important to the development of and timely access to external markets for Afghanistan’s products. Second, it must continue to develop the minerals and hydrocarbons sectors: both the Afghan government and the international community rely on the sectors as sources of long-term revenue, but it needs significant investment in infrastructure, human capital, and other elements if extraction is to be profitable. Third, it must continue to increase the stability of the financial system by strengthening regulations and supervision so that it can support the private sector. Fourth, it must expand light manufacturing and services in order to respond to the high local demand for low-value consumer goods and services.<sup>316</sup>

### KEY EVENTS THIS QUARTER

This quarter, the United States and its international partners continued to promote Afghanistan’s economic growth and development. This section includes updates on these efforts and other key developments:

- regional integration: Afghanistan participated in several regional meetings to discuss economic cooperation as well as cooperation on trade, development, transportation, energy, and mining.

- efforts to hold accountable those responsible for economic crimes: President Karzai called for the establishment of a Special Prosecutor's Office and a Special Tribunal to investigate and prosecute those involved in economic crimes at Kabul Bank.
- economic sustainability: the international community continued its efforts to mitigate the economic risks from transition.
- humanitarian assistance: the international community mobilized to help Afghans affected by last quarter's drought and this quarter's harsh winter.

## ECONOMIC IMPACT OF DECLINING DONOR ASSISTANCE

Assessing the economic impact of the drawdown of U.S. and coalition forces remained challenging this quarter for two primary reasons:<sup>317</sup>

- the Afghan government's incomplete and unreliable data on the economy and demographics
- the lack of a standardized process for tracking funds provided for the external budget by donor nations

The World Bank and the International Monetary Fund (IMF) continued to refine their assessments of the economic impact of transition. In November 2011, the World Bank projected that GDP growth would continue to slow throughout the 2014 transition and beyond—from 8.4% to between 5 and 6%.<sup>318</sup> Afghanistan's budgetary gaps remained a significant concern, especially as the government takes on additional sustainment costs, as noted in SIGAR's January 2012 quarterly report. The largest driver of these gaps is the Afghan National Security Forces (ANSF), according to DoS.<sup>319</sup>

Last quarter in Bonn, the United States continued to encourage the international donor community to maintain its assistance after the transition; next quarter, specific decisions will be made at the NATO Chicago Summit about how best to provide continued support to the ANSF. Then the associated costs will be revised, and budget requirements will become clearer. Concurrently, the U.S. economic strategy continues to promote regional integration, sustainable growth and programming, and decreased dependence on foreign assistance while advocating for that assistance to be on-budget.<sup>320</sup> On the ground, the United States is working to minimize the adverse effects of the transition by helping increase local spending by the international community, helping improve Afghanistan's business and investment conditions, and promoting trade.<sup>321</sup>

The best way for Afghanistan to improve its macroeconomic and financial stability is to fulfill the conditions set by the Extended Credit Facility (ECF) agreement it reached with the IMF last quarter, according to the U.S. Department of Treasury (Treasury). Treasury also noted that adherence to the ECF agreement will help enhance revenues, improve transparency, and uphold the basic governance standards required for development of the finance sector. To build capacity in the Afghan government, Treasury's Office of Technical Assistance continued to provide technical advice on revenue collection and public financial

TABLE 3.8

<b>GDP FIGURES AND COUNTRY RANKING, 2010 AND 2011</b>				
	<b>2010 (est.)</b>	<b>Country Rank</b>	<b>2011 (est.)</b>	<b>Country Rank</b>
GDP purchasing power parity (PPP)	\$27.36 billion	111 of 227	\$29.99 billion	110 of 226
GDP per capita PPP	\$900	218 of 227	\$1,000	214 of 226
GDP, real growth rate <sup>a</sup>	8.2%	17 of 215	7.1%	20 of 215

Notes: Numbers affected by rounding. 2010 data is in 2010 U.S. dollars; 2011 data is in 2011 U.S. dollars. The number of countries ranked varies based on the availability of data.

a. Real growth rate is expected to decline rapidly in 2014 after the reduction of the international presence.

Sources: CIA, "Afghanistan," World Factbook, 4/10/2012, accessed 4/13/2012; CIA, "Afghanistan," World Factbook, 12/21/2011, accessed 4/17/2012.

management, such as budget formulation and execution. Better capacity will help Afghanistan weather some of the economic effects of the transition and improve prospects for growth, according to Treasury.<sup>322</sup>

## LEADING INDICATORS

In 2011, the Afghan economy improved slightly from 2010 in terms of GDP purchasing power parity (PPP) and GDP per capita PPP, but the GDP real growth rate declined. For the latest GDP figures and Afghanistan's ranking compared with other nations, see Table 3.8.

## U.S. Economic Strategies

This quarter, the NDAA-mandated inter-agency review of the economic strategy in Afghanistan emphasized six broad elements as the basis for sustainable growth:<sup>323</sup>

- improved security
- sustainable macroeconomic and fiscal policies
- strengthened government and economic capacity
- favorable business environment
- sustainable infrastructure
- investment in human capital

To help the Afghan government make progress in these elements by the end of the transition, the review noted U.S. policy is focused on four short-term economic goals:<sup>324</sup>

- minimize the negative fiscal, political, and economic impacts of the transition
- accelerate Afghanistan's capacity to manage economic policy
- foster regional economic integration and private-sector investment
- support a long-term foundation for sustainable economic growth led by the private sector

In the medium term, as donor aid diminishes, the United States advocates poverty reduction policies, inclusive development projects, and efforts to expand the private sector. These short- and medium-term strategies are designed to make tangible progress toward the long-term U.S. strategy—the New Silk Road

vision—which seeks greater regional economic integration between Afghanistan and its neighbors, including the free movement of goods, services, capital, and people.<sup>325</sup>

## SIGAR AUDIT

In its audit of U.S. efforts to improve the capacity of the Afghan government to regulate the financial sector, SIGAR identified the challenges facing anti-corruption efforts. For details, see SIGAR Audit 11-13, “Limited Inter-agency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts To Develop the Afghan Financial Sector and Safeguard U.S. Cash” (available at [www.sigar.mil](http://www.sigar.mil)).

## BANKING AND FINANCE

This quarter, two major issues came to the forefront—the alarming levels of capital flight, and the rise in counterfeit Afghani banknotes and the consequent increased amount of foreign currency in circulation. On a positive note, the Afghan government continued to enhance regional banking and economic integration.

In March, media reports stated that the central bank found that \$4.6 billion in cash was carried out through Kabul International Airport in 2011—twice as much as in 2010 and almost equal to the Afghan government’s core operating 2010–2011 budget of \$4.8 billion.<sup>326</sup> The true amount leaving the country may be higher, given the Afghan government’s limited capacity to seal or monitor its porous borders. Treasury confirmed that in response, the governor of the central bank announced a \$20,000 limit on international transfers of cash; greater amounts must be transferred through formal banks by electronic funds transfer. Treasury explained that cash outflows are supposed to be recorded on declaration forms, but compliance and enforcement are limited. The problem is exacerbated by individuals who depart through the airport’s VIP lounge, where the reporting requirements are not enforced. Treasury questioned whether the new rules will be enforced any better than the previous requirements.<sup>327</sup>

The Institute for War and Peace Reporting (IWPR), a non-partisan, non-profit international NGO, noted that counterfeiting was disrupting the money market and driving merchants to expand their use of more stable, foreign currency. Perpetrators are now creating counterfeit currency in higher denominations and of better quality than in previous years. Economists warn that the increased volume of currency in circulation could spur inflation, according to IWPR.<sup>328</sup>

On March 12, Afghanistan took another step toward regional banking and economic integration by agreeing to become a full member of the Economic Cooperation Organization Trade and Development Bank (ETDB), headquartered in Istanbul. Formal approval of membership is pending Afghan ratification of the agreement.<sup>329</sup> Established in 2005 by Iran, Pakistan, and Turkey, the ETDB is a **multilateral development bank** that seeks to finance sustainable regional development programs/projects through direct funding and through international capital markets.<sup>330</sup> At press time, it remained unclear how U.S. sanctions on Iranian-affiliated banking institutions will affect Afghanistan’s ratification of the agreement and ETDB funding of its Afghan development programs.

### Multilateral development bank:

International financial institution that promotes economic and social progress in member developing countries by providing financial and technical support to strengthen economic growth and government institutions, encourage entrepreneurship, and reduce poverty.

Sources: Treasury, Resource Center, “Multilateral Development Banks,” 3/22/2011, accessed 3/21/2012; Export.gov, Trade Leads, “Multilateral Development Banks,” 2/19/2009, accessed 3/21/2012.

## Recapitalization of DAB

As reported in SIGAR’s January 2012 quarterly report, efforts are under way to recapitalize the central bank—Da Afghanistan Bank (DAB)—which helped stave off a full-blown financial crisis by covering \$935 million in losses stemming from

the Kabul Bank scandal.<sup>331</sup> As a precondition to the ECF agreement with the IMF, the lower house of the National Assembly approved an initial tranche of \$51 million to DAB in October 2011. No additional disbursements have been made since, according to DoS.<sup>332</sup> Treasury stated that it expects future allocations to be decided and authorized annually, most likely as part of the budget process.<sup>333</sup>

This quarter, DAB and the Ministry of Finance (MoF) worked on a recapitalization agreement with the assistance of the IMF, leading to a signed MOU. The details had not been made public at press time, but the IMF is in discussions with both parties to refine the recapitalization framework. The IMF attributed the delay of a final agreement to unspecified capacity limitations at DAB, according to DoS.<sup>334</sup> The IMF continued to monitor DAB's progress in implementing the reforms required of it under the ECF. Treasury considers DAB technically able to fulfill its obligations and was not aware of any significant delays by DAB that would defer the program's first review, which the IMF tentatively plans to present to the Board in late June, pending completion of prior actions. It should be noted that the ECF agreement also includes several other structural requirements for reform that are outside the realm and authority of DAB as outlined in SIGAR's January 2012 quarterly report, which could affect IMF review timelines.<sup>335</sup>

## Kabul Bank

In pursuit of a more aggressive prosecution strategy, President Hamid Karzai met with senior government officials on April 3 to discuss the Kabul Bank, including the progress made recovering loans. They decided to establish a Special Prosecutor's Office and a Special Tribunal to investigate and prosecute those involved in economic crimes at Kabul Bank. They also set a two-month deadline for the full repayment of any loans obtained illegally.<sup>336</sup>

This quarter, there were no prosecutions for economic crimes committed at Kabul Bank. According to DAB, Kabul Bank's founder and its former chief executive officer remain in custody in Kabul, where they are released periodically during the day under close supervision to assist in asset recovery. This is contrary to widely circulated news reports that the two are free during the day and reside in their homes at night. Treasury had no direct knowledge to contradict these press reports. Furthermore, it is unclear what type of cooperation the Afghan government is getting. The DAB Governor has pointed to the properties in Dubai that the central bank has recovered for liquidation as evidence of the two men's cooperation. According to DoS, however, the levels of cooperation are mixed. Of note, the two are still listed as principals on the Kabul Bank/New Kabul Bank website.<sup>337</sup>

One aim of the IMF's ECF agreement signed in November 2011 is to "achieve maximum recovery of Kabul Bank losses."<sup>338</sup> Since then, however, asset recovery has been limited. DoS stated that DAB had recovered more than \$5 million in cash this quarter, for a total of \$41 million at press time. Last quarter, SIGAR reported that the Afghan government recovered \$153 million in assets available

for sale (out of \$483 million the government expects to eventually recover), but the IMF does not consider recoveries of non-cash assets until liquidation. No new repayment agreements were reached with shareholders this quarter.<sup>339</sup> The number of repayment agreements remains at 21 signed agreements valued at \$270 million (\$232 million of which is in pledged collateral), as reported in SIGAR's January 2012 quarterly report.

It is unclear if this limited pace of prosecutions and asset recoveries will affect the timing of the IMF's first review of the ECF, given that stepped-up asset recovery was a precondition for the program's initial approval and is required in order to bring the first review to the IMF Executive Board.<sup>340</sup> When the Afghan government representatives signed the ECF, they announced only their intention to enforce Afghan laws, hold those responsible for economic crimes accountable, and compel repayment. According to DoS, no further details were ever provided; however, it said the Afghan government plans to use the forensic audit of Kabul Bank to help inform its legal recourse.<sup>341</sup> According to Treasury, the Afghan government's stated reason for not yet pursuing individual prosecutions aggressively is to induce cooperation for repayment agreements.<sup>342</sup>

### New Kabul Bank

After the Kabul Bank scandal, the bank was split into two entities. The bad assets were put into receivership, which is overseen by the Financial Dispute Resolution Commission. The good assets, loans, and deposits were put into a "bridge bank" called New Kabul Bank (NKB), which cannot extend new loans (avoiding the risk of a bad loan portfolio). Under the IMF's ECF program, NKB was required to help reduce operating losses by closing 20 branches by March 31, 2012, which Treasury and DoS noted has happened.<sup>343</sup>

The MoF plans to sell NKB to private investors by June 30, 2012, and the government is currently looking for a privatization advisor. Because the bank cannot extend new loans, it must manage its assets conservatively, causing it to continue suffering modest operating losses before any sale. It is also possible that additional or continuing cases of corruption may be revealed in the forensic audit of Kabul Bank. Treasury was uncertain whether the audit report will be a public document or if these issues will inhibit a successful sale of the bank. If a buyer is not found, NKB will be liquidated by March 2013. Treasury stated that no modifications have yet been made to that timeline.<sup>344</sup>

### Financial Audits

As noted last quarter, the Kabul Bank scandal triggered a series of World Bank-funded audits of the banking sector. According to DoS, the Kabul Bank forensic audit was completed by the March 31 deadline; the Afghan government will use the results to advance legal proceedings against those accused of fraud. The prudential audits of 10 unidentified Afghan commercial banks continued this quarter, but it is unclear if any were completed by the government's deadline of March 31. Without these results or the identities of the 10 banks, it remains difficult—if not



impossible—to assess the commercial banking sector’s stability as a whole. At press time, no detailed updates on any audit result were available.<sup>345</sup>

On a related issue, the government has formed a working group to produce a strategic road map for building institutional capacity and frameworks so that it can respond better and more quickly to financial crimes, according to DoS. In addition, a National Steering Committee is to be established by May 2012 to supervise and direct financial reporting and auditing reforms of the financial sector.<sup>346</sup>

## Mobile Money

As noted in previous SIGAR quarterly reports, “mobile money” is the use of cell phones to store currency, pay for goods, and receive and transfer funds. Because more than half of Afghan households own a mobile phone, U.S. agencies continued to encourage greater access to mobile money services as a way to spur economic growth and reduce corruption.

As part of its effort to promote women’s active participation in the economy, the U.S. Agency for International Development (USAID) sponsored a partnership program this quarter between the agency, mobile phone carrier Etisalat, and the Ministry of Women’s Affairs to support gender equality through the use of mobile money technology. The program will offer business training opportunities for Afghan women, complemented by prenatal and daycare centers, an emergency hotline, and health services—including vaccination and immunization programs.<sup>347</sup>

This quarter, Etisalat announced a partnership with the national power utility, Da Afghanistan Breshna Sherkat (DABS), to provide mobile phone bill payment options to the utility’s 300,000 customers in Kabul. Previously, bill payment options were limited to either DABS offices or select bank branches. Through this partnership, customers can pay their power bill at Etisalat shops or authorized distributors.<sup>348</sup>

In addition, Roshan and Western Union announced a partnership to provide international money remittances directly to their mobile phones through Roshan’s M-Paisa service. M-Paisa allows customers to transfer money, pay bills, receive and pay loans, and purchase airtime from their mobile phones. Through Western Union, customers will soon be able to receive money transfers from abroad. Afghanistan is only the ninth country in which Western Union offers this service.<sup>349</sup>

## AGRICULTURE

As noted in previous quarterly reports, agriculture plays a dominant role in the Afghan economy. Because an estimated 75% of Afghans directly and indirectly earn a living from agriculture, it can be a catalyst for GDP growth, improved food security, and more stable employment opportunities.<sup>350</sup> The United States is helping to improve the sector by providing vouchers and technical assistance to farmers; equipment, facilities, and training to strengthen agribusiness and other agricultural

“In Afghanistan, officials have cut down markedly on corruption by paying members of the national police force by mobile phone instead of by cash.”

—U.S. Secretary of State  
Hillary Clinton

Source: DoS, “Secretary of State Clinton Delivers Remarks at the Transparency International-USA’s Annual Integrity Award Dinner, as Released by the State Department,” 3/22/2012, accessed 3/26/2012.

subsectors; and training to enhance the government's capacity to build, maintain, and effectively distribute strategic food reserves to vulnerable Afghans.

## Food Prices

The World Food Programme (WFP) reported that prices for wheat and cooking oil in Afghanistan's major cities were higher in February 2012 than in February 2011, but the price of wheat flour dropped. The price of wheat increased by 9.6%, cooking oil rose by 3.7%, and wheat flour decreased by 4%.<sup>351</sup>

## Drought and Food Security

Since 2002, Afghanistan has faced repeated natural disasters, causing substantial humanitarian crises. Floods, landslides, earthquakes, avalanches, and drought affect an average of 400,000 Afghans every year, according to USAID. Since 2000, Afghanistan has suffered eight serious droughts. In 2011, a drought affected approximately 2.4 million people in 14 provinces in the northern, northeastern, and western parts of the country. The winter of 2011/2012 was the most severe since 1996. Avalanches struck villages in Badakhshan, Nuristan, and Parwan this quarter, resulting in approximately 60 deaths and affecting hundreds of people.<sup>352</sup>

This quarter, the WFP continued distributing food to Afghans in need. The WFP estimates that almost 7.6 million Afghans will need assistance in 2012, requiring more than 346,000 metric tonnes of food and costing approximately \$488 million.<sup>353</sup> In a 2010 quarterly report, SIGAR cited an estimated population of 29.1 million. Current estimates range from 25 to 35 million.<sup>354</sup> There has been no census in Afghanistan since 1979, as noted in previous SIGAR quarterly reports.

USAID's Office of Food for Peace helps the WFP and international NGOs based in the United States to reach the most vulnerable Afghans and help reduce food insecurity caused, in part, by natural disasters and the high number of internally displaced persons. Last quarter, USAID provided \$40 million to the WFP to purchase 33,900 metric tonnes of wheat and 600 metric tonnes of high-energy biscuits. As of March 26, in FY 2012 USAID had already provided \$40.6 million to WFP to purchase approximately 31,270 metric tonnes of food commodities. (The total FY 2011 contribution by the Office of Food for Peace to the WFP and international NGOs for Afghan food security initiatives was 109,150 metric tonnes of food, costing almost \$168 million.) In addition, USAID awarded Save the Children more than \$5 million this quarter to use cash-for-work incentives to support an estimated 30,870 beneficiaries in 4,410 households in Faryab and Sar-e Pul provinces.<sup>355</sup>

Questions persist about the ability of the Ministry of Agriculture, Irrigation, and Livestock (MAIL) to adequately handle the stockpiling and distribution of food reserves. Afghanistan has only four food silos—in Kabul, Mazar, Pul-e Khomri, and Herat. The Kabul, Mazar, and Pul-e Khomri silos can hold 40,000 metric tonnes of wheat in bulk, and the Herat silo can hold 20,000. According to USAID, the old silo equipment hinders operational capacity, which affects intake and outflow,

the quality of cleaning, and grain monitoring. To address some of these deficiencies, the WFP is designing and constructing warehousing, storage, and associated facilities through the MAIL's Strategic Grain Reserve Project. In addition, a joint program of the World Bank and Japan is scheduled to refurbish the four silos.<sup>356</sup>

## U.S. Development Programs

As part of its Agriculture Development Assistance Project, the Task Force for Business and Stability Operations (TFBSO) works with the Norman Borlaug Institute of International Agriculture and others to strengthen the agribusiness, processing, livestock, crop, and horticulture sub-sectors of the agriculture industry. As of March 30, the team had completed more than 200 in-field missions for data gathering, assessments, and consultations.<sup>357</sup>

The TFBSO's FY 2012 agriculture project is the Food Safety and Inspection Initiative. It is intended to open up export markets to Afghan farmers by helping them improve the quality of their produce in order to meet international standards. The project provides food safety advisory services for farmers in Helmand, for a produce-packing house in Marjah, for grape and raisin farmers in Kandahar, and for potato farmers in Bamyan. Some FY 2011 funds (\$717,000) continue to be used for training and proof-of-concept demonstration plots to showcase harvesting and drying techniques in Kandahar and hygiene standards in Bamyan. For FY 2012, \$636,000 is budgeted for training and advisory services in Helmand.<sup>358</sup>

In FY 2011, the TFBSO funded four other ongoing agriculture projects:

- **Herat University College of Agriculture Building:** The TFBSO is overseeing a private donation to complete the construction of a building for the agriculture and agribusiness faculty and more than 2,000 students. It will contain classrooms, laboratories, and scientific equipment. Construction is on schedule; the expected completion date is October 2012.<sup>359</sup>
- **Nangarhar University Agricultural Faculty Building:** The TFBSO is managing the construction of and providing \$464,000 for training equipment for an agriculture school on the campus of Nangarhar University. With the availability of laboratory facilities, students will be trained in basic analytic and diagnostic capabilities, and faculty will be trained in plant protection, horticulture, agronomy, animal husbandry, and mechanized agriculture. The building will accommodate more than 1,800 students and 7 departments, including the new food technology and forestry departments. It is scheduled to be completed in mid-2012.<sup>360</sup>
- **Herat Women's Food Processing Centers:** The TFBSO built sanitary food processing centers for two women-owned cooperatives and is providing one year of training to increase the safety and marketability of locally produced preserves. One facility is in Rabat Sange village (Injil District); the other is in Karabad village (Guzara District). Construction is complete, and equipment is installed. The training includes food safety, preservation techniques, and product marketing; it will conclude in August 2012.<sup>361</sup>

- **Herat Quality Control Laboratory Equipment for DAIL and Herat University:** The TFBSO is building and equipping a quality control research/testing facility for wheat and cereal grains, which will be sustained by TFBSO-trained DAIL technicians to provide standardization and feedback on growing practices to local wheat farmers. Herati wheat is a low-value, low-nutritional crop because of poor growing practices involving over-irrigation, driving consumers to higher quality imports. The TFBSO will also provide equipment grants in support of eight agribusiness research projects at Herat University. The combined cost for both endeavors is \$550,000. Equipment began arriving in Herat in January 2012.<sup>362</sup>

## ESSENTIAL SERVICES

As noted in previous quarterly reports, improving the government's ability to deliver public services will help contribute to long-term stability and sustainable economic growth. Therefore, the United States is prioritizing its assistance programs in essential areas that will best mitigate the economic impact of the transition. This section addresses key developments in U.S. efforts to improve government capacity and services.

### SIGAR AUDIT

In an ongoing audit, SIGAR is evaluating the implementation of the Afghanistan Infrastructure Program, including project selection, outcomes, and fulfillment of legislative requirements. For more information, see Section 2, page 27.

### Energy

Electricity supply is a high priority for Afghanistan.<sup>363</sup> This quarter, the United States continued to focus on power sector reform. USAID collaborated with the government to help forge regional transmission agreements as well as design, build, or modernize the country's energy systems and infrastructure. These efforts were intended to improve low-cost energy generation, expand outflow, increase revenues, reduce losses, and build capacity. In addition, the TFBSO helped the Afghan government capitalize on its vast hydrocarbons resources by assisting with the execution of a tender award and the offering of a new exploration tender.

### Power Transmission, Expansion, and Connectivity Program

The Power Transmission, Expansion, and Connectivity Program (PTEC) is a U.S.-funded program designed in collaboration with the Ministry of Finance, the Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS)—the national electric utility—to modernize the power generation, transmission, and distribution systems.<sup>364</sup> It directly supports the National Energy Supply Program of the Afghanistan National Development Strategy, which calls for improving the collection rate and increasing the supply of power. According to USAID, the PTEC is also the top energy priority on the Ministry of Finance's top 10 list of infrastructure priorities.<sup>365</sup> The cost of the PTEC was reduced from almost \$1.3 billion to \$665 million because of budget constraints, a reduced scope of work, and revised cost estimates.<sup>366</sup> According to USAID, the PTEC addresses critical energy needs. USAID made efforts to ensure that all components—on-budget assistance, the electricity commercialization program, and the energy

capacity-building program—have been closely coordinated with the government and other major donors. Success depends on the PTEC’s integrated approach, it noted. The PTEC supports four program objectives that contribute to sustainable, Afghan-owned electricity services for the nation:<sup>367</sup>

- improved energy sector governance through strengthened corporate governance, better management and effectiveness in DABS, improved capacity of the Ministry of Energy and Water, and tailored curriculums at Afghan universities
- commercialization of DABS so it can be financially viable and self-sustaining
- modernized critical infrastructure to reduce dependence on unsustainable, diesel-fueled generation and to enable effective management of the national grid
- creation of Afghan-led operations and maintenance capacity in the energy sector

According to USAID, if the PTEC helps DABS become commercially viable, that will likely help create private-sector jobs and spur economic growth through reliable, sustainable, and low-cost power generation. USAID anticipates that PTEC activities will use local resources and labor pools to implement the program, and provide new skills training that workers can apply in the public and private sectors. USAID envisions that the PTEC will lead to a number of benefits:<sup>368</sup>

- increased revenue
- greater efficiency and capacity
- improved governance through improved capacity at the Ministry of Energy and Water
- regional economic integration through the support of PTEC on-budget activities
- food security through low-cost power, which facilitates the production, transport, processing, storage, and preparation of food
- an elevated societal role for women through the provision of opportunities for greater social, political, and economic participation.

## Major Power Networks

Connecting the Northeast Power System (NEPS) to the Southeast Power System (SEPS) is one of USAID’s proposed PTEC projects to be funded with on-budget assistance. It calls for the construction of 490 km of 220-kilovolt transmission lines from Kabul-South to Kandahar to connect the NEPS and the SEPS into a unified grid along the eastern ring road corridor. The transmission line for Kabul-South to Ghazni is funded by \$101 million from the Afghanistan Infrastructure Fund. The line from Ghazni to Kandahar is estimated to cost \$294 million and is planned to be funded through the Economic Support Fund, although as of March 26 no money had been obligated, and no contracts had been let.<sup>369</sup>

Power in cities south of Kabul is limited; it is produced, in part, through high-cost diesel generators. Substations will be provided at all major cities along the transmission line alignment, and distribution will be included to provide low-cost

grid power and displace high-cost diesel generated power. The line will have a single circuit capable of transmitting 150 MW that will provide the backbone for power delivery south of Kabul through 2018. A second circuit may be added to expand the capacity to 300 MW as additional power supplies become available. Delivery of NEPS grid power to the SEPS has been identified as a national priority, allowing the government to extend service to the underserved and unserved areas in Wardak, Ghazni, Zabul, and Kandahar.<sup>370</sup>

## Kajaki Dam

USAID is working with DABS and the U.S. Army Corps of Engineers (USACE) to deliver a reliable and improved energy supply to Kandahar and Helmand provinces through the Kandahar Helmand Power Project (KHPP). Budgeted at \$266 million, the KHPP comprises six integrated components, one of which is the installation of the long-delayed Unit 2 turbine at the Kajaki Hydropower Plant, which will add another 16 MW of power to the SEPS, at an estimated cost of \$85 million.<sup>371</sup>

This quarter, USAID issued a notice to proceed with the installation of Kajaki Unit 2. As of March 30, contract and budget requirements were being finalized, but progress faces several challenges:<sup>372</sup>

- Multiple shipments are held up at the Afghanistan-Pakistan border, causing delays and cost increases.
- The handover of security for the dam to the APPF has not been finalized.
- Waivers from the Kandahar authorities for six up-armored vehicles for personnel protection have not yet been granted.
- Tribal support and protection must be obtained for construction at the dam.

## Other Regional Transmission Agreements

As discussed in previous SIGAR quarterly reports, the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project is designed to deliver gas from Turkmenistan through Afghanistan to Pakistan and India.

If fully realized, TAPI could bring a much-needed source of transit revenue to Afghanistan, promote regional integration, and improve energy security. However, the project has been hampered by pricing disagreements, the absence of a commercial framework, and the need for international financing and technical assistance. According to DoS, the United States remains engaged with all parties to resolve these challenges.<sup>373</sup>

This quarter, DoS continued to emphasize the need to involve an international oil company to help develop a business plan that would make the pipeline economically viable. Citing unconfirmed press reports, DoS stated that preliminary pricing agreements may have been reached between Turkmenistan, Pakistan, and India, and that final agreements could be signed at the next ministerial-level TAPI Steering Committee meeting. Other reports suggested that India is attempting to re-open negotiations. According to DoS, the United States continues to support pricing agreement negotiations.<sup>374</sup>



## Public Utilities

Since 2009, USAID has been working with DABS-Kabul to improve revenue collection and reduce losses. In 2010, USAID embarked on a similar but less successful initiative with DABS-Kandahar. The initial impediment was a lack of adequate metering and customer information systems. Without these systems, it is difficult to calculate technical and commercial losses; however, USAID estimated losses between 60 and 80%. If these losses are not reduced, USAID has concluded that donor investments in DABS-Kandahar are unlikely to be sustainable.<sup>375</sup> The goals of the ongoing DABS-Kandahar commercialization project are to increase revenue and to improve capacity and sustainability. USAID has initiated several efforts to improve billing and collections processes:<sup>376</sup>

- computerized billing
- customer verification
- revenue management
- finance management
- customer care, through a new customer call center
- customer cash receipting
- bills delivered to customers by cell phone

From February to August 2011, when customer bills were first printed, DABS-Kandahar found evidence of meter reader collusion, ineffective meter reading procedures, and meter tampering. To improve collections, USAID supported a radio campaign to notify customers of new billing and payment procedures and a new customer call center to improve community relations and resolve complaints.<sup>377</sup>

USAID's recommended goal for DABS-Kandahar is to reduce commercial and technical losses to no more than 20% and increase collection rates to 90%. To reduce commercial losses, DABS-Kandahar is terminating illegal electricity connections, saving \$20,000 as of March 26, and further disconnections are planned. Technical losses are estimated to be at least 50%, according to USAID. By the end of last quarter, bulk transformer meters were to be installed in large sections of Kandahar City, so that those readings could be compared with customer readings to determine whether the transformer is sized adequately for the distribution requirements. The efficiency gained is expected to increase the volume of electricity delivered to customers.<sup>378</sup>

## Tenders

The objective of the TFBSO energy team is to help the Afghan government, the private sector, and U.S. agencies to provide access to affordable electricity and fuel. It is doing this, in part, by continuing to support the Ministry of Mines' (MoM) capitalization of oil and gas resources.<sup>379</sup> According to the MoM, Afghanistan has substantial hydrocarbon resources. It estimates that reserves and undiscovered but technically recoverable resources amount to 500 million to 2 billion barrels of oil equivalent in two areas in the north—the Amu Darya Basin and the Afghan-Tajik Basin.<sup>380</sup>



As SIGAR noted in its January 2012 quarterly report, the MoM awarded China National Petroleum Corporation International-Watan (CNPCIW) the rights to develop three blocks in the Amu Darya Basin in December 2011. This quarter, CNPCIW is performing field assessments and tendering for services and has committed to produce at least 150,000 barrels in 2012.<sup>381</sup> The TFBSO, which is helping develop and execute the Amu Darya Basin oil tender, values the contract at \$7.1 billion over 25 years. As of the end of December 2011, the TFBSO reported that the Ministry of Finance had received \$1.3 million from this tender and an additional \$11 million of investment by CNPCIW.<sup>382</sup> SIGAR's January 2012 quarterly report noted that the MoM estimates that there are 80 million barrels of crude oil in the Amu Darya Basin, plus potentially 80 million additional barrels in yet-to-be-discovered reserves.

On March 7, the MoM opened a tender for the exploration, development, and production of hydrocarbons in six blocks in the western portion of the Afghan-Tajik Basin of northern Afghanistan. The TFBSO, which conducted seismic data collection and analysis for the tender, estimates that there are between 700 and 900 million barrels in reserves in the Afghan-Tajik Basin, although no value has been announced.<sup>383</sup> Expressions of interest are due on June 30, 2012, and bids are due in late October 2012. The ministry expects to announce winners in late 2012 and to award contracts in early 2013. The following six areas and estimated block sizes are being offered:<sup>384</sup>

- Ahmadabad: 1,855 km<sup>2</sup>
- Balkh: 1,861 km<sup>2</sup>
- Mazar-i Sharif: 2,715 km<sup>2</sup>
- Mohammed Jan Dagar: 3,603 km<sup>2</sup>
- Sanduqli: 2,583 km<sup>2</sup>
- Shamar 2,143 km<sup>2</sup>

## U.S. Assistance

This quarter, the TFBSO continued helping the Ministry for Rural Rehabilitation and Development develop rural energy solutions. SIGAR's January 2012 quarterly report noted the TFBSO's assistance in helping complete the rehabilitation of the Tira Koh micro-hydroelectric power plant in Parwan province and the restoration of the Shah Delir site across the river, which is nearing completion. After Shah Delir is fully restored, it will be connected to Tira Koh, creating a mini-grid system that will generate more dependable power and efficient water usage for both villages.<sup>385</sup>

## Health

A joint report by the Afghan government and the World Bank released this quarter stated that Afghan children have one of the world's highest rates of chronic malnutrition: 54% under the age of five are stunted, and 34% are underweight. In that age group, 72% are deficient in key micro-nutrients such as iron and iodine. Furthermore, 29% of the general population is calorie-deficient, consuming less than 2,100 calories daily, and 20% suffer from a poor diet with inadequate variety.

These problems become more acute during lean harvest seasons and periods of greater food insecurity.<sup>386</sup>

According to the Ministry of Public Health, the World Health Organization (WHO) estimates that about 10,000 Afghans die each year from tuberculosis (TB). The Minister of Public Health noted the link between TB and poverty, malnutrition, stress, and disorders associated with the lack of security. The WHO representative to Afghanistan emphasized that TB is a preventable disease and that every child who dies from TB can be saved with a “daily 3-cent pill.”<sup>387</sup>

This quarter, the WHO released these statistics on TB in Afghanistan in 2011:<sup>388</sup>

- 10,500 deaths from TB were recorded.
- 53,000 new cases of TB are diagnosed each year.
- 66% of patients with TB are women; 10% are children.
- 1,197 health facilities provided TB control services in 2011, compared with 10 in 2000.
- 242,347 TB cases were treated from 2001 to 2011.
- 97% of Afghans had access to Directly Observed Treatment Short (DOTS) Program facilities, compared with 14% in 2000.

## Regional Meetings

A key goal of the U.S. reconstruction strategy in Afghanistan is to promote greater regional economic integration through the New Silk Road initiative. This quarter, Afghanistan participated in a number of regional meetings to improve trade relations and increase economic cooperation:

- Afghanistan and Iran signed a memorandum of understanding (MOU) on January 30 to increase economic cooperation and improve trade relations. The MOU included establishing an Afghan road transport office and trading area at Iran’s Chabahar port.<sup>389</sup>
- President Hamid Karzai and Pakistan’s Minister of State for Foreign Affairs met in Kabul on February 1 to discuss enhancing bilateral cooperation, including security, development, and trade.<sup>390</sup>
- At a meeting with regional ambassadors on February 5, Afghan officials circulated a concept paper with 12 confidence-building measures for economic, educational, and cultural regional integration. A follow-up ministerial-level meeting is scheduled for June.<sup>391</sup>
- Afghanistan, Pakistan, and Iran held a trilateral summit in Islamabad February 16–18, to enhance cooperation on economic, trade, infrastructure, and energy issues, as well as security and counter-narcotics.<sup>392</sup>
- The Afghan-Russia Joint Economic Commission in Moscow on March 1–2 discussed economic cooperation initiatives and agreed on several infrastructure and education projects.<sup>393</sup>
- The presidents of Afghanistan, Iran, and Tajikistan met on March 25 in Dushanbe to discuss regional economic cooperation opportunities, concluding with a signed MOU that called for the construction of railways, power transfer mechanisms (oil, gas, and electricity), and a water transmission line to supply water from Tajikistan to Iran through Afghanistan. It outlined



**An Afghan mother** worries as a child lies on a bed in the tuberculosis ward of Herat Hospital. About 10,000 Afghans die annually from this preventable disease. (UNAMA photo, Fraidoon Poya)

expectations for the three countries to meet within two months to work out implementation details.<sup>394</sup>

- An Indian delegation from the Ministry of Steel visited Kabul April 9–10. The Afghan Minister of Mines and the Indian Minister of Steel signed a MOU to build Afghan iron and steel sector capacity, encourage Indian investment, and promote economic cooperation.<sup>395</sup>

## Regional Agreement Updates

As noted in the January 2012 quarterly report, the eighth meeting of the Joint Economic Commission between Afghanistan and Pakistan was held on January 17 in Islamabad. In addition to discussing transit and bilateral trade issues, the Afghan delegation sought the release of 700 shipping containers held up in Pakistani ports. Pakistan committed to resolving the issue within 7 to 10 days; the MoF confirmed that an average of 20 containers pass through the Torkham border each day.<sup>396</sup>

Generally, economic cooperation between Afghanistan and Pakistan is impeded by Pakistan's unwillingness to conclude negotiations for full implementation of the Afghanistan Pakistan Transit Trade Agreement, despite U.S. efforts to broker an agreement, according to DoS. A meeting that was tentatively planned for January 2012 did not take place and has not been rescheduled. As a result of this delay and Pakistan's closure of the ground lines of communication in response to U.S. airstrikes that killed 24 Pakistani soldiers in November 2011, military supplies have been held up at the border, along with numerous containers of commercial goods, as well as diplomatic, humanitarian, and development supplies.<sup>397</sup>

In search of alternative transit routes, Afghan traders are increasingly shifting their focus to Iran—up to 40–45% of commercial cargo by one estimate. According to DoS, Iran and Afghanistan signed an MOU in January to increase their economic cooperation. In light of the U.S.-led sanctions against Iran, the United States is encouraging Afghanistan to diversify its trading partners.<sup>398</sup>

In November 2004, Afghanistan applied for membership in the World Trade Organization (WTO) with the goal of joining by the end of 2014. Afghanistan's WTO designation as a "Least Developed Country" would enable it to take advantage of special provisions in WTO agreements and receive technical assistance from the WTO Secretariat.<sup>399</sup> As a full member, Afghanistan would gain a number of benefits:<sup>400</sup>

- better market access for its exports
- greater Afghan investment opportunities in other WTO-member countries
- access to international dispute settlement mediation
- the ability to help shape international agreements to its benefit
- opportunities for enhanced domestic production and international competitiveness
- increased foreign investment as a result of its adherence to WTO legal system requirements
- an improved reputation as a competent trade partner

According to DoS, Afghanistan's membership in the WTO would demonstrate a commitment to economic and market reforms, which is essential for strengthening its investment framework and enhancing economic opportunities. Part of the New Silk Road vision, WTO membership will also help strengthen trade relations with regional neighbors, such as Kazakhstan and Tajikistan, which are also applying to join the WTO, and with the Kyrgyz Republic, which is already a member.<sup>401</sup>

## Commercial Aviation

This quarter, Afghanistan made progress toward greater regional and international integration in aviation. At the second NATO-led "Tiger Team" meeting, held in Istanbul on February 14–16, the Minister of Transport and Civil Aviation spoke of the need to grow an Afghan workforce with the appropriate skill sets and to build the necessary infrastructure to achieve a sustainable aviation system, which he feels is vital to economic growth and prosperity. Because Afghanistan is land-locked, the minister highlighted the current difficulty of linking inaccessible areas and ensuring that remote communities have access to humanitarian aid and basic public services.<sup>402</sup>

The Tiger Team discussed the road map for civil aviation in Afghanistan, an aviation action plan (prepared by the International Civil Aviation Organization [ICAO]), and the terms of reference for a coordinating group to help rehabilitate the aviation sector and transition authority from military to civilian control. The road map also seeks to build institutional training, and regulatory capacity; develop a dedicated revenue framework; and establish appropriate oversight of safety and security. According to DoS, the ministry has implemented some of these reforms and is in the process of implementing others. In his opening remarks to the Tiger Team, the minister indicated that the National Assembly had approved the establishment of a Civil Aviation Authority, whose main goal is to attain full compliance with ICAO standards and provide regulatory management oversight of aviation, but DoS has disputed that assertion.<sup>403</sup>

## Progress Toward Meeting International Standards

This quarter, the United States continued to provide training and assistance to support Afghanistan's efforts to strengthen its civil aviation capacity to international standards. Airport advisors from USAID and the Federal Aviation Administration (FAA) made efforts to help upgrade and refurbish regional airports. The U.S. Department of Transportation continued to mentor the Afghan Safety Board to build capacity in regulation and oversight of pilot certification and proficiency standards. In addition, the United States is coordinating with U.S. Forces - Afghanistan to initiate a three-year process to help the Afghan government assume air traffic management responsibilities after 2014.<sup>404</sup>

In the meantime, the most pressing issue for the civil aviation sector this quarter, according to DoS, was the potential loss of ICAO-compliant aviation security at the Kabul and Kandahar international airports. The current security

contract, funded by the United Arab Emirates, expires on May 7, 2012; without a new, signed contract, commercial air traffic into and out of Afghanistan would cease on May 8. As of March 25, only one bid had been submitted. The MoF has allocated funding for a new contract, which will be paid for partly with new passenger fees. On March 29, the Ministry of Transport and Civil Aviation announced the implementation of a passenger security fee starting August 1—\$25 per flight for international travel, and \$10 per flight for domestic.<sup>405</sup>

## Regional Airport Upgrades

According to the Asian Development Bank (ADB), renovations have been completed at four airports in northern Afghanistan—Chaghcharan, Faizabad, Maimana, and Qalai-Naw.<sup>406</sup> The United States is the largest ADB shareholder, with contributions of \$8.55 billion as of April 1, 2009, the most current data available at press time. For FY 2012, the United States appropriated \$106.6 million for ADB and \$100 million to its Asian Development Fund.<sup>407</sup> Airport improvements included the following:<sup>408</sup>

- 6.6 km of new runway
- 4,800 m<sup>2</sup> of taxiway
- 21,600 m<sup>2</sup> of apron
- 1,013 m<sup>2</sup> of new passenger terminal buildings (including furniture, water supply, sewerage, power supply, and access for vehicles)
- 12.4 km of airport boundary fence, apron security fencing, and gates
- 2,420 m<sup>2</sup> of staff housing and infrastructure

Each airport now has a maintenance plant, fire station, control towers, and a precision approach path indicator. The overall cost was \$35.3 million, \$29.1 million of which was an ADB loan. The remainder was financed.<sup>409</sup>

The project originally included three additional airports and was to have been completed in mid-2008, but insufficient bidding and deteriorating security caused repeated delays, which resulted in an 87.2% increase in construction costs. Despite the increased cost, the ADB noted that it improved year-round air travel access for approximately two million people. Previously, air and road travel to the four remote regions were limited or nonexistent. The airport enhancements will help connect these regions to cities and economic centers and are expected to improve the government's delivery of services. According to the ADB project review team, the airport renovations were the first development projects in these regions in 30 years.<sup>410</sup>

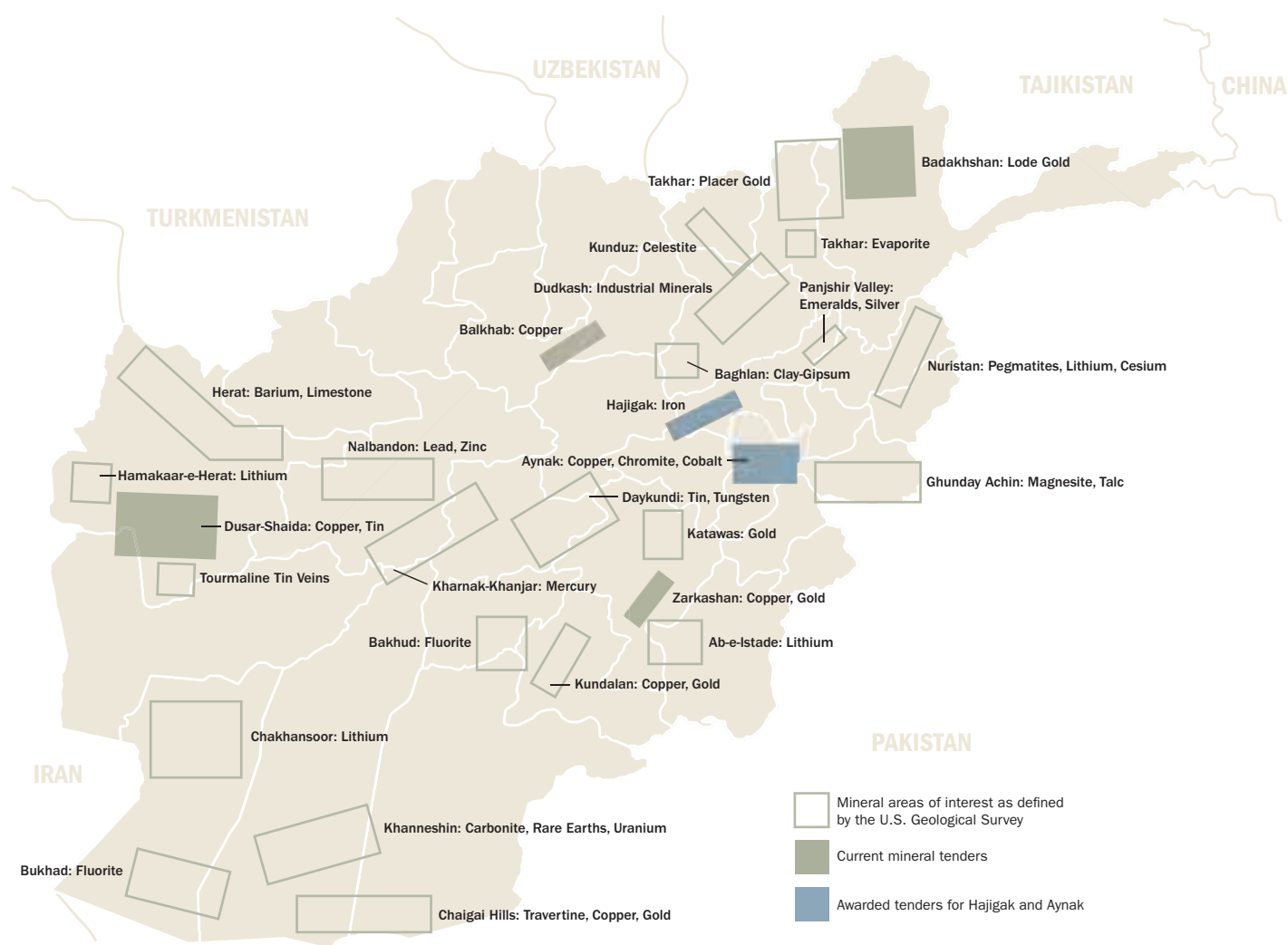
## Mining

Although the mineral sector is seen as a significant source of long-term revenue for the Afghan government, it could take 10 to 20 years to fully develop Afghanistan's vast deposits, shown in Figure 3.31. Moreover, no estimates or timelines have been provided for when the government might receive any proceeds. The Aynak copper mine (awarded to China Metallurgical Group Company in 2007) and the Hajigak iron-ore mine (awarded to Steel Authority India, Ltd in

2011) could enter initial production by 2016, according to the NDAA-mandated inter-agency review this quarter, but the TFBSO points out that contract negotiations for the Hajigak mine are still ongoing.<sup>411</sup> The review noted that mining should be viewed not as a source of jobs and revenue generation but as a means of financing economic activities across sectors and fueling long-term growth, productivity, and employment.<sup>412</sup>

FIGURE 3.31

## MINERAL AREAS OF INTEREST AND MINERAL TENDERS



Source: MoM, "Mineral Tenders," accessed 4/13/2012.



As noted in SIGAR's January 2012 quarterly report, the TFBSO helped the MoM tender five mineral exploration packages for copper, gold, and lithium. They attracted substantial interest from businesses in 13 countries: 42 companies had submitted expressions of interest as of March 9, 2012, and 29 companies had submitted pre-qualification questionnaires as of March 16. The actual number of bids received will depend on the number of bidders judged to be technically capable during the qualification phase, which was completed in early April.<sup>413</sup>

According to the TFBSO, the MoM has reported that two gold mines are active in northern Afghanistan; one is the Sadat Naderi mine, which is financed by JP Morgan. The TFBSO also noted activity in artisanal mining efforts around the country for gemstones, marble, chromite, and placer gold.<sup>414</sup>

## U.S. Assistance

This quarter, the MoM and the TFBSO attended two conferences on mining:<sup>415</sup>

- Mining Indaba Cape Town, February 5–9
- Prospectors & Developers Association of Canada Convention, Toronto, March 4–7

USAID is helping the MoM gather and evaluate geological data. It is training MoM personnel in geo-science field investigation and drilling activities, and is teaching basic lab management, mineral analysis techniques, and quality control methods to staff of the Afghanistan Geological Survey laboratory. In addition, USAID and the Afghanistan Geological Survey are training MoM staff on the use of four core sample drill rigs, which the MoM will use to provide investors with better detail on a site's potential.<sup>416</sup>

As a result, the MoM is gaining experience in data analysis and management, so that it can verify the location and quantity of mineral deposits, evaluate and package tenders, and manage contracts. This effort is applying international standards, to attract private sector investment, generate revenue, and improve local economic development.<sup>417</sup>

## Extractive Industries Transparency Initiative

The stated goal of the Extractive Industries Transparency Initiative (EITI) is to improve transparency and accountability in the extractives sector, thereby strengthening governance. The initiative does this by verifying and publishing company payments and government revenues from oil, gas, and mining.<sup>418</sup> Afghanistan announced its intent to implement the EITI in March 2009, became an EITI candidate on February 10, 2010, and is required to complete validation by August 9, 2012.<sup>419</sup>

According to the TFBSO, EITI membership will benefit Afghanistan by increasing its legitimacy in the mining sector through an internationally recognized commitment to public transparency. The TFBSO told SIGAR that Afghanistan's candidacy bid is being completed through the World Bank and that the application process is well under way, despite some initial delays that may require an extension beyond the August 9 deadline. The TFBSO is not aware of any obstacles to Afghanistan gaining membership.<sup>420</sup>



## **MoM Mines Protection Unit**

The Afghan government is responsible for security at its mining operations. The Mines Protection Unit (MPU) was established specifically to safeguard the country's mineral deposits. According to the MoM, 1,500 MPU personnel are deployed around the Aynak copper mine, where there have been no security incidents since it was established in 2007. The government plans to increase the total number of MPU personnel to 7,000 to provide security to all current and future mining projects.<sup>421</sup>

## **Government Transparency**

According to the TFBSO, the Minister of Mines and his senior staff understand the economic potential of Afghanistan's mineral wealth and have been effective at promoting the country's mineral tenders. The TFBSO added that the MoM is actively developing the skills to be able to effectively and transparently manage the mining sector. The MoM will need to grow as the sector grows and establish consistent tender processes. For the four gold and copper mineral exploration packages that the TFBSO helped introduce last quarter at the London Mines and Money Conference, expert industry advisors were hired to help the MoM expand its capabilities.<sup>422</sup>

## **Communications**

At a signing ceremony at the Ministry of Communications & Information Technology (MCIT) on March 19, Etisalat Afghanistan announced the launch of its 3G services. The carrier will offer video calling and chatting, high-speed voice and data transfer, and advanced Internet broadband connectivity.<sup>423</sup> The MCIT Minister said that 3G technology is a key factor for Afghanistan's economic growth and will accelerate development in education, health, and commerce through enhanced speed and connectivity. Etisalat paid \$35 million for its 3G license, and the MCIT Minister estimated that the government will receive \$100 million in future revenue after additional 3G license agreements are signed with other telecommunication companies.<sup>424</sup>

This quarter, the MCIT decided to license its International Telecommunication Union-allotted satellite slot at 50 degrees east longitude through an international competitive tender to be administered by the Afghanistan Telecom Regulatory Authority. The purpose of the expression of interest is to support private and public telecommunications services. The expression of interest deadline was March 18, and the MCIT announced it would invite qualified submissions to make formal proposals within 30 days.<sup>425</sup>

### **Growing the Afghan National Army**

An ANA soldier processes recruits inside the biometrics section in Kabul on March 28. This quarter, the ANA grew by 11,520 to nearly 190,000 personnel. (USAF photo, SSgt Nestor Cruz)

# 4 OTHER AGENCY OVERSIGHT





## OTHER AGENCY OVERSIGHT

SIGAR's enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs and to submit a report on SIGAR's oversight work and on the status of the U.S. reconstruction effort to the Congress no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates. The descriptions appear as they were submitted, with these changes for consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies are performing oversight activities in Afghanistan and providing results to SIGAR:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

### COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the eight oversight projects related to reconstruction that the participating agencies reported were completed this quarter.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF MARCH 31, 2012			
Agency	Report Number	Date Issued	Project Title
DoD OIG	D-2012-058	2/29/2012	Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvement
DoD OIG	D-2012-057	2/27/2012	Requirements Development Process for Military Construction Projects in Afghanistan
DoD OIG	D-2012-036	1/5/2012	Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary Wing Aircraft
GAO	GAO-12-290	3/29/2012	Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan
GAO	GAO-12-285	2/27/2012	Afghanistan: Improvements Needed To Strengthen Management of U.S. Civilian Presence
GAO	GAO-12-293R	2/23/2012	Afghanistan Security: Department of Defense Effort To Train Afghan Police Relies on Contractor Personnel To Fill Skill and Resource Gaps
USAAA	A-2012-0072-MTE	3/16/2012	Commander's Emergency Response Program - Afghanistan
USAID OIG	F-306-12-002-P	2/7/2012	Audit of USAID/Afghanistan's Skills Training for Afghan Youth (STAY) Project

Sources: DoD OIG, response to SIGAR data call, 3/22/2012; DoS OIG, response to SIGAR data call, 3/15/2012; GAO, response to SIGAR data call, 3/26/2012; USAID OIG, response to SIGAR data call, 3/23/2012.

## **U.S. Department of Defense Office of Inspector General**

During this quarter, DoD OIG issued three reports related to Afghanistan reconstruction.

### **Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvement**

(Report No. D-2012-058, Issued February 29, 2012)

The North Atlantic Treaty Organization Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan (NTM-A/CSTC-A), CJ8 Directorate Finance Reform Office (known as the CJ8 Financial Management Oversight Office as a result of NTM-A/CSTC-A reorganization after audit fieldwork) did not implement adequate controls to ensure that \$410.4 million of Afghan National Army (ANA) payroll funds were properly advanced and reported to the Ministry of Defense. This occurred because CJ8 Financial Management Oversight Office personnel did not have written procedures or perform adequate reviews, and they relied on summary and not detailed data when distributing the quarterly advances.

As a result, CJ8 Financial Management Oversight Office personnel did not have visibility over ANA payroll funds, and they could not accurately calculate and report quarterly advances to the Ministry of Defense. Specifically, CJ8 Financial Management Oversight Office included \$47.8 million in absolute errors in their ANA payroll advances and reporting from April 2009 through January 2011. During the audit, NTM-A/CSTC-A took action to improve controls over the ANA payroll reconciliation process.

Additionally, CJ8 Financial Management Oversight Office personnel needed to improve the mentoring of the Ministry of Defense personnel. Specifically, CJ8 Financial Management Oversight Office personnel only assigned one part-time mentor, with no financial expertise, to visit the ANA corps, and they did not provide enough mentoring below the corps level.

This occurred because CJ8 Financial Management Oversight Office did not have enough staff or expertise to mentor the ANA during site visits and on internal controls over the payroll process. Additionally, CJ8 Financial Management Oversight Office did not have adequate procedures for planning site visits.

Without improving its mentoring, CJ8 Financial Management Oversight Office personnel cannot successfully complete the mission to prepare the Afghanistan government to sustain the ANA payroll process without coalition support. During the audit, NTM-A/CSTC-A increased the number of mentors for the ANA payroll process.

## **Requirements Development Process for Military Construction Projects in Afghanistan**

(Report No. D-2012-057, Issued February 27, 2012)

This audit is the first in a series of reports on military construction (MILCON) projects in Afghanistan. The Army and Air Force requirements development and design processes for the 17 projects reviewed resulted in defined requirements, measurable outcomes, and projects that generally met DoD's needs. Despite the processes, one Air Force project did not fully meet DoD's needs. Specifically, the Air Force project justification required the repair of a runway to be C-17 aircraft capable, but the justification did not include a requirement for wider taxiways to support C-17 aircraft. Subsequently, the Congress approved a separate project that included the necessary taxiway to fully meet DoD's needs.

In addition, the design process for 3 of the 17 projects did not result in U.S. Army Corps of Engineers (USACE) and Air Force Center for Engineering and the Environment (AFCEE) officials constructing facilities in accordance with facility sizes on the congressional request for authorization. This occurred because the scope of work variations permissible by section 2853, Title 10, United States Code, from the congressional request for authorization are unclear and inconsistently applied. As a result, DoD officials do not have assurance that MILCON projects are built consistent with congressional intent and in accordance with legislative requirements.

## **Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary Wing Aircraft**

(Report No. D-2012-036, Issued January 5, 2012)

DoD officials did not adequately manage the acquisition and support of Non-Standard Rotary Wing Aircraft (NSRWA). Specifically, DoD officials were unable to identify a comprehensive list of all DoD-owned and supported Mi-17s, their total ownership costs, and all planned requirements in support of these aircraft. This occurred because the Under Secretary of Defense for Acquisition, Technology, and Logistics established the NSRWA Project Management Office as a temporary solution without fully authorizing the project manager and his staff to make DoD-wide decisions and did not follow the Defense acquisition process, even though it met the requirements of a major defense acquisition program. As a result, DoD may not have achieved the best value for the more than \$1.6 billion NSRWA effort and is at risk for inadequate management of the more than \$1 billion in estimated future costs.

## **U.S. Department of State Office of Inspector General—Middle East Regional Office**

During this quarter, DoS OIG issued no reports related to Afghanistan reconstruction.



# OTHER AGENCY OVERSIGHT

## Government Accountability Office

During this quarter, GAO issued three reports related to Afghanistan reconstruction.

### **Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan**

(Report No. GAO-12-290, Issued March 29, 2012)

In fiscal year 2011, DoD reported obligating over \$16 billion for contracts that were executed primarily in Afghanistan. GAO has previously identified the need for DoD to improve its oversight of contractors by non-acquisition personnel, such as contracting officer's representatives (CORs) or liaisons between the contractor, contracting officer, and unit receiving support, and Congress has addressed this issue in legislation. Following up on previous GAO work on this topic, GAO determined the extent to which (1) DoD's required training prepares CORs to perform their contract management and oversight duties, (2) CORs have the subject area-related technical expertise needed to oversee contracts, and (3) the number of CORs is sufficient to oversee the contracts in Afghanistan. GAO found that DoD has taken steps to enhance its existing training program for CORs, but the required training does not fully prepare them to perform their contract oversight duties in contingency areas such as Afghanistan. Furthermore, CORs do not always have the necessary subject area-related technical expertise to oversee U.S. Central Command (CENTCOM) contracts they were assigned to oversee. For example, because CORs do not have the subject area-related technical expertise needed to oversee contracts or access to subject matter experts, facilities were sometimes deficient and had to be reconstructed at great additional expense to the taxpayer. Lastly, DoD does not have a sufficient number of CORs to oversee the numerous contracts in Afghanistan. As a result and after reviewing more than a dozen construction projects, GAO found that construction was completed without sufficient government oversight and problems were sometimes identified after facilities had been completed. To provide for improved oversight of operational contract support, DoD should enhance the current strategy for providing contract management and oversight in Afghanistan and other areas of operations.

### **Afghanistan: Improvements Needed To Strengthen Management of U.S. Civilian Presence**

(Report No. GAO-12-285, Issued February 27, 2012)

In March 2009, the President called for an expanded U.S. civilian presence under Chief of Mission authority to build the capacity of the Afghan government to provide security, essential services, and economic development. In response, DoD established the Civilian Expeditionary Workforce (CEW) in 2009 to create a cadre of civilians trained, cleared, and equipped to respond urgently to expeditionary requirements. Deployed civilians are under combatant commander authority in Afghanistan to support combat and capacity-building missions. United States agencies under Chief of Mission authority and the DoD reported

that their civilian presence in Afghanistan is expanding. For example, these agencies and DoD reported taking steps to improve civilian presence tracking abilities, to establish a CEW program office that implements CEW policies, and to provide pre-deployment training for civilians. However, nearly three years after DoD's directive established the CEW, DoD faced challenges and the program has not been fully developed and implemented. DoD's offering of duplicative training courses, the use of ineffective guidance and the failure to have processes for identifying and synchronizing training requirements for civilians failed to meet Combatant Commander's theater requirements in Afghanistan. The Secretary of Defense should enable DoD in developing key assumptions and identifying the number and types of positions that should constitute the CEW and establish a process to identify and synchronize training requirements for deployed civilians in Afghanistan.

### **Afghanistan Security: Department of Defense Effort To Train Afghan Police Relies on Contractor Personnel To Fill Skill and Resource Gaps**

(Report No. GAO-12-293R, Issued February 23, 2012)

The U.S. strategy in Afghanistan depends in part on building that country's capacity to provide for its own security by training and equipping the Afghan National Security Forces, including the Afghan National Police (ANP). The ANP training program is intended to create and sustain a professionally-led police force that is accountable to the Afghan people and is capable of enforcing laws and maintaining civil order. Since 2002, the United States has allocated over \$14 billion to train, equip, and sustain the ANP. In June 2010, the Senate Committee on Armed Services reported concerns over DoD oversight and contract management. GAO reported that (1) U.S. government (USG), non-USG coalition, and DoD contractor personnel perform various roles in the ANP training program; (2) DoD did not assess the advantages or disadvantages of using USG or contractor personnel for the ANP training program and has not assessed the potential impact of transferring responsibilities to USG personnel for the ANP training program since awarding an ANP training contract in 2010; and (3) DoD officials reported that they were not aware of any lessons learned from other DoD-led foreign police training programs that directly address the advantages and disadvantages of using USG or contractor personnel to carry out the ANP training program.

# OTHER AGENCY OVERSIGHT

## **U.S. Army Audit Agency**

The U.S. Army Audit Agency reported completing one new audit related to Afghanistan reconstruction this quarter.

### **Commander's Emergency Response Program - Afghanistan**

(Report No. A-2012-0072-MTE, Issued March 16, 2012)

USAAA audited the Commander's Emergency Response Program - Afghanistan (CERP-A) overall program management, project review, and funding requirements processes at the request of the former U.S. Forces - Afghanistan (USFOR-A) Commander. Auditors found that CERP had evolved to include complex, long-term projects that did not provide immediate benefit to the Afghan people. Auditors reviewed 73 projects, each valued at over \$500,000, and found 9 of the projects did not meet authorized CERP criteria. Although the remaining 64 met criteria, many of them didn't meet the intent of providing immediate benefit. Specifically, 29 projects had an average estimated project execution time of over 10 months, excluding the project development. This occurred because (1) policies and controls for CERP had not evolved along with the program; (2) guidance and criteria for CERP projects were not clearly defined; and (3) there was not a defined, objective, and measurable methodology for evaluating and prioritizing projects. Also, funding levels drove projects rather than approved, necessary CERP projects driving funding levels. During the audit, USFOR-A took immediate actions to improve both the project review and funding requirements determination processes. After the exit briefing, USFOR-A developed a project review and risk assessment matrix to increase project scrutiny. USFOR-A also deobligated one CERP project valued at about \$32 million. The report contains the official Army position on the recommendations and potential monetary benefits. Command concurred with the recommendations and potential monetary benefits.

## **U.S. Agency for International Development Office of Inspector General**

During this quarter, USAID OIG issued one report related to Afghanistan reconstruction.

### **Audit of USAID/Afghanistan's Skills Training for Afghan Youth (STAY) Project**

(Report No. F-306-12-002-P, Issued February 7, 2012)

USAID/OIG conducted this audit to determine whether the project was achieving its main goals of providing technical, vocational, and functional skills for productive work; basic education equivalency and life skills; and youth outreach and networking activities. The final report includes the following issues:

- The project lacked clearly defined goals, objectives, and priorities. The program description did not clearly communicate the project's purpose, goals, objectives, priorities, and activities.

# OTHER AGENCY OVERSIGHT

- Important communications were not always documented or effective. Some key discussions between the agreement officer's technical representative (AOTR) and the Education Development Center (EDC) regarding the design of the project were not documented, and USAID officials' communications with EDC did not achieve the mutual understanding necessary to enable implementation of Phase Two of the project.
- USAID issued EDC a remedy notice for failure to comply with the terms and conditions specified in its cooperative agreement. However, the components and activities in the agreement's program description were largely illustrative. As a result, USAID claimed EDC had made insufficient progress on tasks that it was not required to perform.
- The project lacked an approved marking and branding plan. EDC submitted a marking and branding plan to the agreement officer (AO) and AOTR for review on January 22, 2011. Yet six months later, the plan had not been formally approved.

The report included four recommendations to address these issues.

## ONGOING OVERSIGHT ACTIVITIES

As of March 31, 2012, the participating agencies reported 39 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF MARCH 31, 2012			
Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2012-D000AS-0137.000	3/9/2012	Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract
DoD OIG	D2012-D000AT-0129.000	3/8/2012	Datron Radio Contracts To Support the Afghan National Security Forces
DoD OIG	D2012-D000JB-0126.000	3/8/2012	Air Force Center for Engineering and the Environment's Contract Management and Oversight of Military Construction Projects in Afghanistan
DoD OIG	D2012-D00SPO-0090.000	2/28/2012	U.S. and Coalition Efforts To Develop Leaders in the Afghan National Army
DoD OIG	D2012-DT0TAD-0002.000	2/14/2012	Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan
DoD OIG	D2012-DT0TAD-0001.000	2/14/2012	Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan
DoD OIG	D2012-D000JB-0093.000	1/11/2012	Building Institutional Capacity Through the Ministry of Defense Advisors Program
DoD OIG	D2012-D00SPO-0085.000	1/6/2012	U.S. Efforts to Develop the Afghan National Security Forces Command and Control System
DoD OIG	D2012-D000JB-0071.000	12/16/2011	Contract Management and Oversight of Military Construction Projects in Afghanistan
DoD OIG	D2012-DINT01-0084.000	12/13/2011	Investigation of a USCENTCOM Referral; Non-Compliance with Interrogation Policy
DoD OIG	D2012-D000AS-0075.000	12/7/2011	Task Orders for Mi-17 Overhauls and Cockpit Modifications
DoD OIG	D2012-D000AS-0031.000	11/17/2011	Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command
DoD OIG	D2011-D000AS-0271.000	8/12/2011	Afghan National Police Mentoring/Training and Logistics Support Contract
DoD OIG	D2011-D000AT-0246.000	7/12/2011	Adequacy of Controls Over Small Arms Contracts for the Afghan National Security Forces
DoD OIG	D2011-D000JA-0240.000	6/15/2011	Management of Pharmaceuticals Within the Afghan National Security Forces Health System
DoD OIG	D2011-D00SPO-0234.000	5/20/2011	Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force

# OTHER AGENCY OVERSIGHT

TABLE 4.2 CONTINUED

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF MARCH 31, 2012			
Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2011-D000AT-0222.000	4/29/2011	Development of Individual Equipment Requirements for the Afghan National Army
DoD OIG	D2011-D000AT-0221.000	4/29/2011	Accountability for Night Vision Devices Procured for the Afghan National Security Forces
DoD OIG	D2011-D000FD-0121.000	3/30/2011	Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations
DoD OIG	D2011-D000JO-0137.000	1/18/2011	Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan
DoD OIG	D2010-D000JO-0229.000	6/14/2010	Construction of the Detention Facility in Parwan, Afghanistan
DoS OIG-MERO	12AUD30	12/2011	Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan
GAO	121049	3/29/2012	Assessment of Joint Report on Contracting in Iraq and Afghanistan
GAO	121042	2/2/2012	Recommendations of the Commission on Wartime Contracting
GAO	320889	2/2/2012	Streamlining Aid to Afghanistan
GAO	351708	2/1/2012	U.S. Capabilities to Support Afghanistan Security Transition
GAO	351688	11/19/2011	DoD's Preparations for Drawdown of Forces in Afghanistan
GAO	320856	9/26/2011	Security Transition Afghanistan
GAO	351616	7/11/2011	DoD Oversight of Private Security Contractors in Afghanistan
GAO	320850	6/20/2011	Cost To Sustain ANSF
GAO	320851	6/9/2011	Screening of Afghan Security Personnel and Recruits
GAO	351613	6/2/2011	Fuel Demand Management at Forward-Deployed Locations in Afghanistan
GAO	120976	3/31/2011	State Contracting for Conflicted Countries
GAO	351603	3/31/2011	Intelligence, Surveillance, and Reconnaissance (ISR) Collection and Tasking Management
USAID OIG	FF100312	2/9/2012	Audit of USAID/Afghanistan's Performance-based Governor's Fund
USAID OIG	FF101812	12/1/2011	Review of USAID/Afghanistan's Monitoring and Evaluation System
USAID OIG	FF101712	10/25/2011	Review of USAID/Afghanistan's Use of the Commander's Emergency Response Program Funds for Selected Projects
USAID OIG	FF100411	9/18/2011	Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program
USAID OIG	FF100711	6/15/2011	Audit of USAID/Afghanistan's Internal Controls in Administration of the Involuntary Separate Maintenance Allowance

Sources: DoD OIG, response to SIGAR data call, 3/22/2012; DoS OIG, response to SIGAR data call, 3/15/2012; GAO, response to SIGAR data call, 3/26/2012; USAAA, response to SIGAR data call, 3/20/2012; USAID OIG, response to SIGAR data call, 3/23/2012.

## Department of Defense Office of Inspector General

DoD continues to face many challenges in executing its Overseas Contingency Operations (OCO). DoD OIG has identified priorities based on those challenges and high risks and has responded by expanding its coverage of OCO operations and its presence in Southwest Asia. In FY 2012, DoD OIG continues to focus oversight on overseas contingency operations with a majority of its resources supporting operations in Afghanistan. The DoD OIG focus in Afghanistan continues in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, and the administration and oversight of contracts supporting coalition forces.

As billions of dollars continue to be spent in Afghanistan, a top priority will continue to be the monitoring and oversight of acquisition and contracting processes focused on training, equipping, and sustaining the Afghan National Security Forces (ANSF). The DoD OIG planned oversight efforts address the administration and oversight of contracts for equipping the ANSF, such as rotary wing aircraft, airplanes, ammunition, radios, and night vision devices. DoD OIG will also continue to review and assess DoD's efforts in managing and executing contracts to train the Afghan National Police.

As military construction continues in Afghanistan to build or renovate new living areas, dining and recreation facilities, medical clinics, base expansions, and police stations, DoD OIG will continue to provide aggressive oversight of contract administration and military construction projects. DoD OIG will also continue to focus on the accountability of property, such as contractor-managed government-owned property and Army high-demand items; DoD's efforts to strengthen institutional capacity at the Afghan Ministry of Defense; and financial management controls.

The DoD OIG-led Southwest Asia Joint Planning Group coordinates and deconflicts federal and DoD OCO-related oversight activities. DoD OIG continues to work with SIGAR as well as fellow inspectors general and Defense oversight community members to develop a FY 2013 strategic audit plan for the entire inspector general community working in Afghanistan. This SIGAR-led effort provides the Congress and key stakeholders with more effective oversight of reconstruction programs.

## **Office of the Deputy Inspector General for Auditing**

The ongoing Operation Enduring Freedom-related oversight addresses the safety of personnel with regard to construction efforts; force protection programs for U.S. personnel; accountability of property; improper payments; contract administration and management including construction and on construction projects; oversight of the contract for training the Afghan police; logistical distribution within Afghanistan; health care; and acquisition planning and controls over funding for Afghan Security Forces.

## **Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract**

(Project No. D2012-D000AS-0137.000, Initiated March 9, 2012)

DoD OIG is conducting the second in a series of audits on the Afghan National Police Mentoring/Training and Logistics support contract. The overall objective for the series of audits is to determine whether DoD officials are using appropriate contracting processes to satisfy mission requirements and are conducting appropriate oversight of the contract in accordance with federal and DoD policies. For this audit DoD OIG will determine whether the Army, the North Atlantic Treaty Organization Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan, and the Defense Contract Management Agency had



## OTHER AGENCY OVERSIGHT

adequate oversight processes and procedures for the contract. Additionally, DoD OIG will determine whether the Army, the North Atlantic Treaty Organization Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan, and the Defense Contract Management Agency conducted adequate contractor surveillance. The first audit in this series is “Afghan National Police Mentoring/Training and Logistics Support Contract,” Project Number D2011-D000AS-0271.000.

### **Datron Radio Contracts To Support the Afghan National Security Forces**

(Project No. D2012-D000AT-0129.000, Initiated March 8, 2012)

DoD OIG is determining whether the U.S. Army Communications-Electronics Command implemented effective policies and procedures for awarding Datron radio contracts, negotiating fair and reasonable prices, verifying timely deliveries, and establishing quality assurance measures in accordance with applicable requirements.

### **Air Force Center for Engineering and the Environment’s Contract Management and Oversight of Military Construction Projects in Afghanistan**

(Project No. D2012-D000JB-0126.000, Initiated March 8, 2012)

DoD OIG is determining whether Air Force Center for Engineering and the Environment officials are providing effective oversight of construction projects in Afghanistan. This is the second in a series of audits on contract management and oversight of military construction projects in Afghanistan. The first project, D2012-D000JB-0071.000, focuses on U.S. Army Corps of Engineers contract management and oversight of military construction projects in Afghanistan.

### **U.S. and Coalition Efforts To Develop Leaders in the Afghan National Army**

(Project No. D2012-D00SP0-0090.000, Initiated February 28, 2012)

DoD OIG is assessing the sufficiency and effectiveness of the Coalition’s leader programs for developing Afghan National Army officers and Non-Commissioned Officers.

### **Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan**

(Project No. D2012-DT0TAD-0002.000, Initiated February 14, 2012)

DoD OIG is determining whether fire suppression systems built by military construction in selected U.S. occupied facilities in Afghanistan are in compliance with the U.S. Central Command Unified Facilities Criteria and National Fire Protection Association standards. DoD OIG will assess U.S. occupied facilities at Kandahar Air Field, Bagram Air Field, Camp Eggers, and other locations as



necessary. It will also assess the status of DoD OIG recommended corrective actions from previous fire suppression system assessments.

## **Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan**

(Project No. D2012-DT0TAD-0001.000, Initiated February 14, 2012)

DoD OIG is determining whether electrical systems built by military construction in selected U.S. occupied facilities in Afghanistan are in compliance with United States Central Command Unified Facilities Criteria and National Electrical Code standards. DoD OIG will assess U.S. occupied facilities at Kandahar Air Field, Bagram Air Field, Camp Eggers, and other locations as necessary. DoD OIG will also assess the status of DoD OIG recommended corrective actions from previous electrical system assessments.

## **Building Institutional Capacity Through the Ministry of Defense Advisors Program**

(Project No. D2012-D000JB-0093.000, Initiated January 11, 2012)

DoD OIG is determining whether the Ministry of Defense Advisors Program is achieving its intended purpose. Specifically, DoD OIG will determine whether the program's goals, objectives, and resources are being managed effectively and efficiently to achieve the program's intended results.

## **U.S. Efforts To Develop the Afghan National Security Forces Command and Control System**

(Project No. D2012-D00SPO-0085.000, Initiated January 6, 2012)

DoD OIG is determining whether the Department of Defense will complete the development of the Afghan National Security Forces Command and Control System by established end-state dates. Specifically, DoD OIG will assess whether U.S. government and coalition strategy, guidance, plans, and resources are adequate for the development and operational implementation of an effective Afghan National Security Forces Command and Control System.

## **Contract Management and Oversight of Military Construction Projects in Afghanistan**

(Project No. D2012-D000JB-0071.000, Initiated December 16, 2011)

DoD OIG is determining whether DoD is providing effective oversight of military construction projects in Afghanistan. Specifically, DoD OIG will determine whether DoD is properly monitoring contractor performance during construction and adequately performing quality assurance oversight responsibilities. To provide command timely and focused reports, this project has been separated into two projects. The original project will focus on U.S. Army Corps of Engineers' contract management and oversight of military construction projects in Afghanistan. The second project, D2012-D000JB-0126.000, focuses on Air

# OTHER AGENCY OVERSIGHT

Force Center of Environmental Excellence's contract management and oversight of military construction projects in Afghanistan.

## **Investigation of a USCENTCOM Referral; Non-Compliance with Interrogation Policy**

(Project No. D2012-DINT01-0084.000, Initiated December 13, 2011)

DoD OIG is conducting this investigation at the request of CENTCOM. The objectives of this project are For Official Use Only.

## **Task Orders for Mi-17 Overhauls and Cockpit Modifications**

(Project No. D2012-D000AS-0075.000, Initiated December 7, 2011)

DoD OIG is determining whether DoD officials properly awarded and administered task orders for the overhaul and modification of Mi-17 aircraft in accordance with federal and DoD regulations and policies. Contracting officers issued the task orders under indefinite-delivery, indefinite-quantity contract number W58RGZ-09-D-0130.

## **Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command**

(Project No. D2012-D000AS-0031.000, Initiated November 17, 2011)

DoD OIG plans to conduct a series of audits relating to Afghanistan rotary-wing transportation contracts to determine whether TRANSCOM officials are properly managing and administering the contracts in accordance with Federal Acquisition Regulation and DoD guidance while contracting for services performed in a contingency environment. For this first audit in the planned series, DoD OIG will determine whether contracting officials have adequate controls over the transportation of supplies, mail, and passengers in Afghanistan.

## **Afghan National Police Mentoring/Training and Logistics Support Contract**

(Project No. D2011-D000AS-0271.000, Initiated August 12, 2011)

The audit will be the first in a series of audits on the Afghan National Police Mentoring/Training and Logistics Support contract. DoD OIG's overall objective for the series of audits is to determine whether DoD officials are using appropriate contracting processes to satisfy mission requirements and are conducting appropriate oversight of the contract in accordance with federal and DoD policies. For this audit, DoD OIG will determine whether the Army is appropriately administering the Afghan National Police Mentoring/Training and Logistics Support contract in accordance with federal and DoD guidance.

## **Adequacy of Controls Over Small Arms Contracts for the Afghan National Security Forces**

(Project No. D2011-D000AT-0246.000, Initiated July 12, 2011)

DoD OIG is evaluating the contract award, pricing, and quality assurance provisions for small arms, to include accessories and spare parts, acquired using Afghanistan Security Forces Funds. Specifically, DoD OIG will determine whether the contract processes were in accordance with applicable acquisition regulations.

## **Management of Pharmaceuticals Within the Afghan National Security Forces Health System**

(Project No. D2011-D000JA-0240.000, Initiated June 15, 2011)

DoD OIG is determining the effectiveness of pharmaceutical distribution within the ANSF health care system. Specifically, DoD OIG will evaluate the procurement, delivery, and inventory control processes for pharmaceuticals at ANSF medical facilities and depots.

## **Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force**

(Project No. D2011-D00SP0-0234.000, Initiated May 20, 2011)

DoD OIG is determining whether U.S. government and coalition forces goals, objectives, plans, and guidance to train, equip, and field a viable and sustainable Afghan Air Force are prepared, issued, operative, and relevant.

## **Development of Individual Equipment Requirements for the Afghan National Army**

(Project No. D2011-D000AT-0222.000, Initiated April 29, 2011)

DoD OIG is determining whether the development process for ANA individual equipment requirements was adequate. Specifically, DoD OIG will determine the adequacy of the acquisition, sustainment, and training requirements established for individual equipment items for the ANA.

## **Accountability for Night Vision Devices Procured for the Afghan National Security Forces**

(Project No. D2011-D000AT-0221.000, Initiated April 29, 2011)

DoD OIG is evaluating the accountability for night vision devices and associated spare parts procured for the ANSF.

# OTHER AGENCY OVERSIGHT

## **Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations**

(Project No. D2011-D000FD-0121.000, Initiated March 30, 2011)

DoD OIG is determining what fees and surcharges DoD components charge on intragovernmental orders funded by Afghanistan Security Forces Fund appropriations. DoD OIG will also evaluate whether the cost data exists to support those charges.

## **Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan**

(Project No. D2011-D000JO-0137.000, Initiated January 18, 2011)

DoD OIG is determining whether the vocational training provided under the National Operations and Maintenance contracts is effective in developing the infrastructure maintenance capabilities of the ANSF.

## **Construction of the Detention Facility in Parwan, Afghanistan**

(Project No. D2010-D000JO-0229.000, Initiated June 14, 2010)

DoD OIG is determining whether the U.S. Army Corps of Engineers (USACE) and USFOR-A procured construction services and administered the construction contract for the Detention Facility in Parwan, Afghanistan, in accordance with the Federal Acquisition Regulation and other applicable laws and regulations. Specifically, DoD OIG will determine whether USACE properly monitored contractor performance during construction of the detention facility in Parwan and whether USACE has taken or should take recourse against the contractor because of potential latent defects, negligence, or fraud.

## **Department of State Office of Inspector General–Middle East Regional Office**

This quarter, DoS OIG did not initiate any new projects related to Afghanistan reconstruction.

## **Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan**

(Project No. 12AUD30, Initiated December 2011)

The audit objective is to evaluate the effectiveness of the Bureau of International Narcotics and Law Enforcement Affairs' (INL) Correction System Support Program (CSSP) in building a safe, secure, and humane prison system that meets international standards and Afghan cultural requirements. Specifically, OIG will evaluate whether INL is achieving intended and sustainable results through the following CSSP components: training and mentoring; capacity building; Counter-Narcotics Justice Center and Judicial Security Unit compound operations and

maintenance; Pol-i-Charkhi management and stabilization team; Central Prison Directorate engagement and reintegration team; and Kandahar expansion and support team.

## Government Accountability Office

### **Assessment of Joint Report on Contracting in Iraq and Afghanistan**

(Project No. 121049, Initiated March 29, 2012)

In response to a mandate in the National Defense Authorization Act for Fiscal Year 2011, Section 835, GAO will (1) assess the data and data sources used by the Department of Defense, Department of State, and U.S. Agency for International Development (USAID) to develop their annual joint report on contracting in Iraq and Afghanistan; (2) review how the Department of Defense, Department of State, and USAID are using the data and data sources to manage, oversee, and coordinate contracting in Iraq and Afghanistan; and (3) assess the department's and agency's plans for strengthening or improving common databases for tracking statutorily required information on contracts and associated personnel with performance in Iraq and Afghanistan.

### **Recommendations of the Commission on Wartime Contracting**

(Project No. 121042, Initiated February 2, 2012)

Key questions: (1) What actions have DoD, DoS, and USAID taken or planned to address the CWC's final and special report recommendations?

### **Streamlining Aid to Afghanistan**

(Project No. 320889, Initiated February 2, 2012)

Key questions: (1) To what extent do the development projects administered by U.S. agencies in Afghanistan address similar objectives? (2) What mechanisms do U.S. agencies use to coordinate planning and implementation of these projects? (3) To what extent is there duplication in these projects?

### **U.S. Capabilities To Support Afghanistan Security Transition**

(Project No. 351708, Initiated February 1, 2012)

Key questions: (1) What is the process for transitioning operational lead security responsibility to the ANSF? (2) To what extent has DoD identified the enabling capabilities that it will need to support the transition? (3) What factors, if any, may affect DoD's ability to provide these capabilities?

# OTHER AGENCY OVERSIGHT

## **DoD's Preparations for Drawdown of Forces in Afghanistan**

(Project No. 351688, Initiated November 19, 2011)

Key questions: To what extent is DoD (1) prepared to execute drawdown of forces and materiel in Afghanistan and (2) implementing lessons learned in Iraq as it prepares for the Afghanistan drawdown?

## **Security Transition in Afghanistan**

(Project No. 320856, Initiated September 26, 2011)

Key questions: (1) What are the key elements of the framework established to transition lead security responsibility to the ANSF? (2) What progress has been made in achieving the transition of security responsibility to the ANSF?

## **DoD Oversight of Private Security Contractors in Afghanistan**

(Project No. 351616, Initiated July 11, 2011)

Key questions: GAO intends to examine to what extent (1) DoD has a process to determine if the use of PSCs in Afghanistan to meet specific missions is appropriate; (2) DoD has a process to ensure that PSCs in Afghanistan are selecting personnel with appropriate backgrounds, training, and capabilities; (3) DoD has established a process to ensure that private security prime contractors and sub-contractors are performing their duties in Afghanistan; and (4) DoD has begun to formulate plans to meet security requirements in Afghanistan without the use of PSCs.

## **Cost To Sustain ANSF**

(Project No. 320850, Initiated June 20, 2011)

Key questions: (1) To what extent are the U.S. government's and others' estimates of the costs to build and sustain the ANSF through 2014 and beyond reliable and consistent? (2) What are the projected sources of funding to cover the costs of ANSF through 2014 and beyond?

## **Screening of Afghan Security Personnel and Recruits**

(Project No. 320851, Initiated June 9, 2011)

Key questions: (1) To what extent are recruits and other ANA-ANP personnel vetted or screened by the U.S. government for ties to criminal, terrorist, or insurgent forces? (2) What challenges to these efforts exist, if any, and how have U.S. agencies addressed these challenges? (3) To what extent have Defense and State modified screening procedures in response to attacks? (4) What, if any, safeguards are in place to protect U.S. personnel training or working with ANA/ANP forces?

## **Fuel Demand Management at Forward-Deployed Locations in Afghanistan**

(Project No. 351613, Initiated June 2, 2011)

Key questions: (1) To what extent has DoD established a viable approach to provide visibility and accountability for fuel demand management in Afghanistan? (2) What initiatives does DoD have underway to promote fuel efficiency across services in Afghanistan and what are the related challenges? (3) To what extent are these efforts being coordinated across services? (4) To what extent does DoD currently measure or have plans in place to measure the results of its energy efficiency efforts in Afghanistan?

## **State Contracting for Conflicted Countries**

(Project No. 120976, Initiated March 31, 2011)

Key questions: (1) What is the extent and nature of DoS's reliance on DoD for acquisition support for Iraq and Afghanistan? (2) What factors led to this reliance? (3) What efforts are under way to determine whether to continue this reliance?

## **Intelligence, Surveillance, and Reconnaissance (ISR) Collection and Tasking Management**

(Project No. 351603, Initiated March 31, 2011)

Key questions: (1) To what extent does DoD have visibility over all available national, theater, and organic ISR capabilities used in support of military operations? (2) To what extent do DoD collection managers involved in the tasking of ISR capabilities have access to real-time information regarding ISR capabilities and their mission availability and use such information to guide additional tasking? (3) To what extent do DoD collection managers involved in the tasking of ISR capabilities receive relevant collection management training?

## **U.S. Army Audit Agency**

This quarter, U.S. Army Audit Agency does not have any ongoing audits related to reconstruction initiatives.

## **U.S. Agency for International Development Office of Inspector General**

### **Audit of USAID/Afghanistan's Performance-based Governor's Fund**

(Project No. FF100312, Initiated February 9, 2012)

Objective: Did the design and implementation of the Performance-based Governors' Fund provide for capacity improvements so that governors and their teams are better able to (1) meet operational and community outreach needs, (2) enhance relationships with citizens, and (3) improve overall management capacity?



# OTHER AGENCY OVERSIGHT

## **Review of USAID/Afghanistan's Monitoring and Evaluation System**

(Project No. FF101812, Initiated December 1, 2011)

Objective: To determine whether USAID/Afghanistan has a monitoring and evaluation system to effectively manage selected program activities.

## **Review of USAID/Afghanistan's Use of the Commander's Emergency Response Program Funds for Selected Projects**

(Project No. FF101712, Initiated October 25, 2011)

Objective: To determine whether the CERP funds distributed by USFOR-A to USAID for specific projects were used for their intended purposes and in compliance with applicable laws and regulations and whether the costs charged to CERP-funded projects were reasonable, allowable, and allocable.

## **Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program**

(Project No. FF100411, Initiated September 18, 2011)

Objective: To determine whether USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program is achieving its main goals of increasing licit and commercially viable agricultural-based alternatives for rural Afghans and significantly reducing and ultimately eradicating opium poppy production and sales.

## **Audit of USAID/Afghanistan's Internal Controls in Administration of the Involuntary Separate Maintenance Allowance**

(Project No. FF100711, Initiated June 15, 2011)

Objective: To determine whether USAID/Afghanistan has adopted appropriate internal controls to prevent improper use of the separate maintenance allowance.

## **U.S. Department of Defense Office of Inspector General**

The Defense Criminal Investigative Service (DCIS) continues to conduct significant fraud and corruption investigations in Afghanistan and Southwest Asia. Currently, there are six DCIS agents assigned to the International Contract Corruption Task Force (ICCTF) in three locations: Kabul, Bagram Airfield, and Kandahar Airfield. The ICCTF is a partnership between DCIS, SIGAR, and seven other agencies to efficiently and effectively investigate fraud and corruption in Southwest Asia. DCIS continues to assign one special agent to Task Force 2010, which is a task force led by the U.S. military that utilizes intelligence analysts, criminal investigators, auditors, and forensic financial analysts to gain visibility

# OTHER AGENCY OVERSIGHT

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on the flow of contracting funds in order to prevent the U.S. from doing business with insurgents, corrupt officials, and criminal groups. In addition to these forward-deployed special agents, 109 DCIS agents based in the United States and Europe are currently conducting investigations related to fraud and corruption in Southwest Asia.

As of March 31, 2012, DCIS has 113 open OCO investigations involving Afghanistan. Of the open investigations, 24 are joint with SIGAR.

As of March 31, 2012, DCIS has closed 113 OCO investigations involving Afghanistan.

#### **The Official Seal of SIGAR**

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal's center is in Dari and means "SIGAR." The phrase along the bottom side of the seal's center is in Pashtu and has the same meaning.

# APPENDICES AND ENDNOTES



# APPENDICES

## APPENDIX A CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR's enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, P.L. No. 110-181, § 1229 (Table A.1), and to the semiannual reporting requirements prescribed for inspectors general more generally under the Inspector General Act of 1978, as amended (5 U.S.C. App. 3) (Table A.2).

TABLE A.1

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
<b>Purpose</b>			
Section 1229(a)(3)	To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.	Ongoing; quarterly report	Full report
<b>Supervision</b>			
Section 1229(e)(1)	The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense	Report to the Secretary of State and the Secretary of Defense	Full report
<b>Duties</b>			
Section 1229(f)(1)	OVERSIGHT OF AFGHANISTAN RECONSTRUCTION – It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.	Review appropriated/available funds  Review programs, operations, contracts using appropriated/available funds	Full report
Section 1229(f)(1)(A)	The oversight and accounting of the obligation and expenditure of such funds	Review obligations and expenditures of appropriated/available funds	SIGAR Oversight Funding
Section 1229(f)(1)(B)	The monitoring and review of reconstruction activities funded by such funds	Review reconstruction activities funded by appropriations and donations	SIGAR Oversight
Section 1229(f)(1)(C)	The monitoring and review of contracts funded by such funds	Review contracts using appropriated and available funds	Note 1
Section 1229(f)(1)(D)	The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities	Review internal and external transfers of appropriated/available funds	Appendix B
Section 1229(f)(1)(E)	The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]	Maintain audit records	SIGAR Oversight Appendix C Appendix D

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(f)(1)(F)	The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy	Monitoring and review as described	Audits
Section 1229(f)(1)(G)	The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.	Conduct and reporting of investigations as described	Investigations
Section 1229(f)(2)	OTHER DUTIES RELATED TO OVERSIGHT – The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)	Establish, maintain, and oversee systems, procedures, and controls	Full report
Section 1229(f)(3)	DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 – In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978	Duties as specified in Inspector General Act	Full report
Section 1229(f)(4)	COORDINATION OF EFFORTS – The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development	Coordination with the inspectors general of DoD, DoS, and USAID	Other Agency Oversight
<b>Federal Support and Other Resources</b>			
Section 1229(h)(5)(A)	ASSISTANCE FROM FEDERAL AGENCIES – Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee	Expect support as requested	Full report
Section 1229(h)(5)(B)	REPORTING OF REFUSED ASSISTANCE – Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.	None reported	N/A

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
<b>Reports</b>			
Section 1229(i)(1)	QUARTERLY REPORTS – Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –	Report – 30 days after the end of each calendar quarter  Summarize activities of the Inspector General  Detailed statement of all obligations, expenditures, and revenues	Full report Appendix B
Section 1229(i)(1)(A)	Obligations and expenditures of appropriated/donated funds	Obligations and expenditures of appropriated/donated funds	Appendix B
Section 1229(i)(1)(B)	A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program	Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program	Funding Note 1
Section 1229(i)(1)(C)	Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of donor funds	Funding
Section 1229(i)(1)(D)	Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of funds from seized or frozen assets	Funding
Section 1229(i)(1)(E)	Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan	Operating expenses of agencies or any organization receiving appropriated funds	Funding Appendix B



# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(i)(1)(F)	In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition	Describe contract details	Note 1
Section 1229(i)(3)	<b>PUBLIC AVAILABILITY –</b> The Inspector General shall publish on a publically-available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan	Publish report as directed at <a href="http://www.sigar.mil">www.sigar.mil</a>  Dari and Pashtu translation in process	Full report
Section 1229(i)(4)	<b>FORM –</b> Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary	Publish report as directed	Full report
Section 1229(j)(1)	Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.	Submit quarterly report	Full report

Note 1: Although this data is normally made available on SIGAR's website ([www.sigar.mil](http://www.sigar.mil)), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

\* Covered "contracts, grants, agreements, and funding mechanisms" are defined in paragraph (2) of Section 1229(i) of P.L. No. 110-181 as being—

"any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes:

To build or rebuild physical infrastructure of Afghanistan.  
To establish or reestablish a political or societal institution of Afghanistan.  
To provide products or services to the people of Afghanistan."

# APPENDICES

TABLE A.2

<b>CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) ("IG ACT")</b>			
<b>IG Act Section</b>	<b>IG Act Language</b>	<b>SIGAR Action</b>	<b>Section</b>
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies	Extract pertinent information from SWA/JPG member reports List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections	Other Agency Oversight See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(2)	Description of recommendations for corrective action...with respect to significant problems, abuses, or deficiencies	Extract pertinent information from SWA/JPG member reports List recommendations from SIGAR audit reports	Other Agency Oversight See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	List all instances of incomplete corrective action from previous semiannual reports	In process
Section 5(a)(4)	A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Extract pertinent information from SWA/JPG member reports List SIGAR Investigations that have been referred	Other Agency Oversight
Section 5(a)(5)	A summary of each report made to the [Secretary of Defense] under section 6(b)(2) (instances where information requested was refused or not provided)	Extract pertinent information from SWA/JPG member reports List instances in which information was refused SIGAR auditors, investigators, or inspectors	Other Agency Oversight
Section 5(a)(6)	A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued...showing dollar value of questioned costs and recommendations that funds be put to better use	Extract pertinent information from SWA/JPG member reports List SIGAR reports	Other Agency Oversight
Section 5(a)(7)	A summary of each particularly significant report	Extract pertinent information from SWA/JPG member reports Provide a synopsis of the significant SIGAR reports	Other Agency Oversight A full list of significant reports can be found at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(8)	Statistical tables showing the total number of audit reports and the total dollar value of questioned costs	Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of questioned cost from SIGAR reports	See reports of SWA/JPG members In process
Section 5(a)(9)	Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management	Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports	See reports of SWA/JPG members In process
Section 5(a)(10)	A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision	Extract pertinent information from SWA/JPG member reports Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open	See reports of SWA/JPG members None

# APPENDICES

TABLE A.2 (CONTINUED)

<b>CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) ("IG ACT")</b>			
<b>IG Act Section</b>	<b>IG Act Language</b>	<b>SIGAR Action</b>	<b>Section</b>
Section 5(a)(11)	A description and explanation of the reasons for any significant revised management decision	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which significant revisions have been made to management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which SIGAR disagreed with management decision	No disputed decisions during the reporting period
Section 5(a)(13)	Information described under [Section 804(b)] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Provide information where management has not met targets from a remediation plan	No disputed decisions during the reporting period
Section 5(a)(14)(A)	An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or	SIGAR has posted in full the results of, and reports from, SIGAR's most recent peer reviews (completed during July 2010, prior to the current reporting period), on its website	Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(14)(B)	If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General	15 July 2010	Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(15)	A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete	None – all peer review recommendations effectively addressed, and remedial measures implemented, by 30 September 2010	Recommendations and related materials posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(16)	Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review . . . that remain outstanding or have not been fully implemented	Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)	SIGAR Oversight

# APPENDICES

## APPENDIX B

### U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION (\$ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of March 31, 2012.

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	TOTAL
<b>SECURITY</b>		
Afghanistan Security Forces Fund (ASFF)	DoD	50,625.70
Train & Equip (DoD)	DoD	440.00
Foreign Military Financing (FMF)	DoS	1,059.14
International Military Education & Training (IMET)	DoS	12.06
NDAA Section 1207 Transfer	Other	9.90
<b>Total—Security</b>		<b>52,146.80</b>
<b>GOVERNANCE &amp; DEVELOPMENT</b>		
Commander's Emergency Response Program (CERP)	DoD	3,439.00
Afghanistan Infrastructure Fund (AIF)	DoD	800.00
Task Force for Business and Stability Operations (TFBSO)	DoD	559.21
Economic Support Fund (ESF)	USAID	14,953.44
Development Assistance (DA)	USAID	883.65
Afghanistan Freedom Support Act (AFSA)	DoD	550.00
Child Survival & Health (CSH + GHAI + GHP)	USAID	554.28
Commodity Credit Corp (CCC)	USAID	31.65
USAID (other)	USAID	40.52
Non-Proliferation, Anti-Terrorism, De-mining & Related (NADR)	DoS	505.51
Provincial Reconstruction Team Advisors	USDA	5.70
Treasury Technical Assistance	Treasury	4.45
<b>Total—Governance &amp; Development</b>		<b>22,327.40</b>
<b>COUNTER-NARCOTICS</b>		
International Narcotics Control and Law Enforcement (INCLE)	DoS	3,578.24
Drug Interdiction and Counter-Drug Activities (DoD CN)	DoD	2,263.40
Drug Enforcement Administration (DEA)	DoJ	127.37
<b>Total—Counter-Narcotics</b>		<b>5,969.02</b>
<b>HUMANITARIAN</b>		
P.L. 480 Title I	USDA	5.00
P.L. 480 Title II	USAID	716.71
Disaster Assistance (IDA)	USAID	478.79
Transition Initiatives (TI)	USAID	35.87
Migration & Refugee Assistance (MRA)	DoS	749.75
Voluntary Peacekeeping (PKO)	DoS	69.33
Emergency Refugee & Migration Assistance (ERMA)	DoS	25.20
Food for Progress	USDA	109.49
416(b) Food Aid	USDA	95.18
Food for Education	USDA	50.49
Emerson Trust	USDA	22.40
<b>Total—Humanitarian</b>		<b>2,358.20</b>
<b>INTERNATIONAL AFFAIRS OPERATIONS</b>		
Oversight		172.60
Other		6,442.40
<b>Total—International Affairs Operations</b>		<b>6,615.00</b>
<b>TOTAL FUNDING</b>		<b>89,416.42</b>

Notes: Numbers affected by rounding. DoS shifted \$100 million in ESF from FY 2012 to FY 2011 to increase FY 2012 funds available for Egypt.

Sources: DoD, responses to SIGAR data call, 4/19/2012, 4/18/2012, 4/17/2012, 4/11/2012, 3/30/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 4/17/2012, 4/6/2012, and 4/14/2011; Treasury, response to SIGAR data call, 4/20/2012; OMB, response to SIGAR data call, 4/17/2012; USAID, responses to SIGAR data call, 4/3/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

# APPENDICES

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
0.00	0.00	0.00	968.18	1,908.13	7,406.40	2,750.00	5,606.94	9,166.77	11,619.28	11,200.00
0.00	0.00	150.00	290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
57.26	191.00	414.08	396.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.20	0.30	0.60	0.80	0.80	1.10	1.60	1.40	1.76	1.56	1.95
0.00	0.00	0.00	0.00	0.00	0.00	9.90	0.00	0.00	0.00	0.00
<b>57.46</b>	<b>191.30</b>	<b>564.68</b>	<b>1,655.78</b>	<b>1,908.93</b>	<b>7,407.50</b>	<b>2,761.50</b>	<b>5,608.34</b>	<b>9,168.53</b>	<b>11,620.84</b>	<b>11,201.95</b>
0.00	0.00	40.00	136.00	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	400.00	400.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.00	59.26	239.24	245.71
117.51	239.29	893.87	1,280.56	473.39	1,210.71	1,399.51	2,088.32	3,346.00	2,067.51	1,836.76
18.30	42.54	153.14	169.56	183.96	166.81	148.65	0.40	0.30	0.00	0.00
0.00	165.00	135.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.52	49.68	33.40	38.00	41.45	100.77	63.02	58.23	92.30	69.91	0.00
7.48	1.33	0.00	0.00	0.00	0.00	10.77	4.22	4.22	3.09	0.55
0.00	0.50	5.00	0.00	0.00	0.00	22.32	3.55	2.90	6.25	0.00
44.00	34.70	66.90	38.20	18.20	36.60	26.60	48.60	57.66	69.30	64.75
0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.00
0.90	1.00	0.06	0.95	0.19	0.13	0.75	0.47	0.00	0.00	0.00
<b>195.71</b>	<b>534.04</b>	<b>1,327.37</b>	<b>1,913.27</b>	<b>932.19</b>	<b>1,724.02</b>	<b>2,159.95</b>	<b>2,775.16</b>	<b>4,562.63</b>	<b>3,255.29</b>	<b>2,947.77</b>
60.00	0.00	220.00	709.28	232.65	251.74	307.57	484.00	589.00	400.00	324.00
0.00	0.00	71.80	224.54	108.05	290.97	192.81	230.06	392.27	376.53	376.37
0.58	2.87	3.72	16.77	23.66	20.38	40.59	18.80	0.00	0.00	0.00
<b>60.58</b>	<b>2.87</b>	<b>295.52</b>	<b>950.59</b>	<b>364.36</b>	<b>563.09</b>	<b>540.97</b>	<b>732.86</b>	<b>981.27</b>	<b>776.53</b>	<b>700.37</b>
0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
159.50	46.10	49.20	56.60	60.00	60.00	177.00	65.41	27.40	15.50	0.00
197.09	85.52	11.16	4.22	0.04	0.03	16.90	26.91	29.60	66.56	40.75
8.07	11.69	11.22	1.60	0.00	0.00	0.00	0.75	0.89	1.18	0.46
135.47	61.50	63.30	47.10	41.80	53.80	44.25	76.79	81.48	65.00	79.26
23.93	9.90	20.00	15.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00
0.00	4.96	9.08	30.10	23.24	9.47	20.55	12.09	0.00	0.00	0.00
46.46	14.14	34.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	9.27	6.12	10.02	25.08	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	22.40	0.00	0.00	0.00	0.00
<b>595.52</b>	<b>248.08</b>	<b>204.66</b>	<b>165.14</b>	<b>150.16</b>	<b>123.30</b>	<b>281.10</b>	<b>182.15</b>	<b>139.37</b>	<b>148.25</b>	<b>120.47</b>
0.00	0.00	0.00	0.00	0.00	2.50	14.30	25.20	34.40	37.20	59.00
155.60	35.30	207.60	136.10	131.90	207.80	434.40	1,060.70	1,761.70	905.10	1,406.20
<b>155.60</b>	<b>35.30</b>	<b>207.60</b>	<b>136.10</b>	<b>131.90</b>	<b>210.30</b>	<b>448.70</b>	<b>1,085.90</b>	<b>1,796.10</b>	<b>942.30</b>	<b>1,465.20</b>
<b>1,064.87</b>	<b>1,011.59</b>	<b>2,599.83</b>	<b>4,820.88</b>	<b>3,487.54</b>	<b>10,028.22</b>	<b>6,192.22</b>	<b>10,384.41</b>	<b>16,647.90</b>	<b>16,743.20</b>	<b>16,435.76</b>

## APPENDIX C SIGAR AUDITS

### Completed Audits

SIGAR completed three audits during this reporting period, as listed in Table C.1.

TABLE C.1

COMPLETED SIGAR AUDITS AS OF APRIL 30, 2012		
Report Identifier	Report Title	Date Issued
SIGAR Audit 12-9	USAID Has Disbursed \$9.5 Billion for Reconstruction and Funded Some Financial Audits as Required, but Many Audits Face Significant Delays, Accountability Limitations, and Lack of Resources	4/2012
SIGAR Audit 12-8	USAID Spent Almost \$400 Million on an Afghan Stabilization Project Despite Uncertain Results, but Has Taken Steps To Better Assess Similar Efforts	4/2012
SIGAR Audit 12-7	C-JTSCC Has Taken Steps To Improve the Accuracy of Its Contract Data, but Should Assess the Feasibility of Correcting its Data for Fiscal Year 2009 and Earlier	4/2012

### New Audits

SIGAR initiated three new audits during this reporting period, as listed in Table C.2.

TABLE C.2

NEW SIGAR AUDITS AS OF APRIL 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR 058A	USAID's Southern Region Agricultural Development Project's Partnership with International Relief and Development, Inc.	4/2012
SIGAR 055A	Construction of the 3rd Brigade, 207th Afghan Army Corps Garrison in Badghis Province	3/2012
SIGAR 054A	Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants	2/2012

### Ongoing Audits

SIGAR has six audits in progress during this reporting period, as listed in Table C.3.

TABLE C.3

ONGOING SIGAR AUDITS AS OF APRIL 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR 052A	Oversight of A-TEMP for the ANP	1/2012
SIGAR 053A	Implementation of the Afghanistan Infrastructure Program	11/2011
SIGAR 051A	Costs of Private Security Contractors (PSCs) Utilized by USAID Contractors for Reconstruction in Afghanistan	9/2011
SIGAR 050A	Outcomes of DoS Public Diplomacy Grants in Support of Reconstruction in Afghanistan	8/2011
SIGAR 049A	USACE Operations and Maintenance Contracts with ITT Systems Corporation for ANSF Facilities	7/2011
SIGAR 047A	USAID's Task Order in Support of the Afghanistan Stabilization Initiative-East Program	5/2011

## Forensic Audits

SIGAR continued work on three forensic audits during this reporting period, as listed in Table C.4.

TABLE C.4

SIGAR FORENSIC AUDITS AS OF APRIL 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR-027A	Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction	6/2010
SIGAR-026A	Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction	6/2010
SIGAR-022A	Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction	2/2010

## INSPECTIONS

SIGAR had four ongoing inspections during this reporting period, as listed in Table C.5.

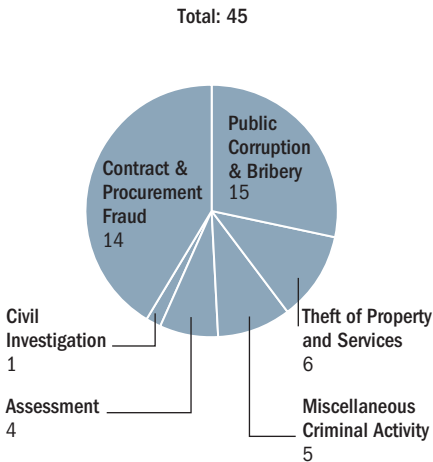
TABLE C.5

SIGAR INSPECTIONS AS OF APRIL 30, 2012		
Audit Identifier	Project Title	Date Initiated
SIGAR 1004	Wardak ANP Training Center (USACE)	1/2012
SIGAR 1003	Nangarhar Border Police Company Headquarters Facilities (USACE)	1/2012
SIGAR 1002	Jalalabad ANA Garrison (USACE)	1/2012
SIGAR 1001	Kunduz ANA Facility–2/209th Headquarters (USACE)	1/2012



FIGURE D.1

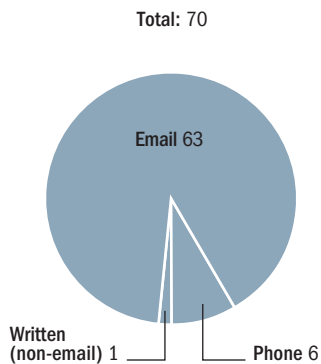
## SIGAR INVESTIGATIONS: NEW INVESTIGATIONS, JANUARY 1-MARCH 31, 2012



Source: SIGAR Investigations Directorate, 4/6/2012.

FIGURE D.3

## SOURCE OF SIGAR HOTLINE COMPLAINTS, JANUARY 1-MARCH 31, 2012



Source: SIGAR Investigations Directorate, 4/5/2012.

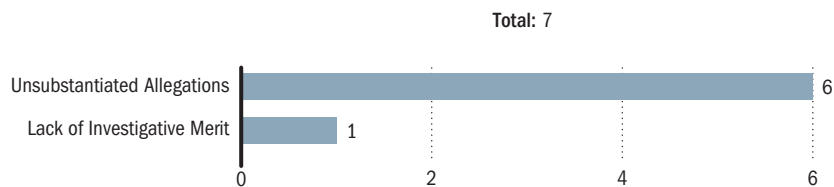
## APPENDIX D SIGAR INVESTIGATIONS AND HOTLINE

### SIGAR Investigations

This quarter, SIGAR opened 45 new investigations and closed 7, bringing the total number of open investigations to 164. Of the new investigations, most involved contract fraud, public corruption, and bribery, as shown in Figure D.1. Of the seven investigations that were closed, the majority were closed due to unsubstantiated allegations, as shown in Figure D.2.

FIGURE D.2

### SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, JANUARY 1-MARCH 31, 2012



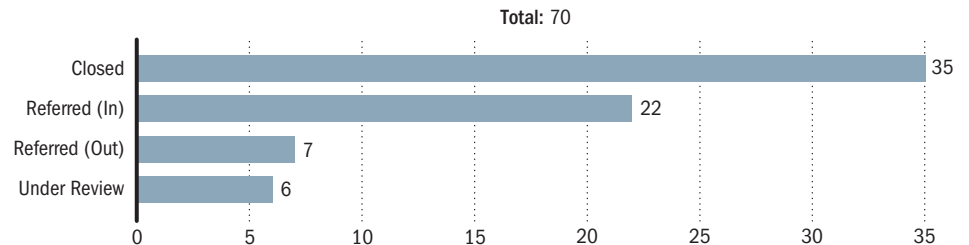
Source: SIGAR Investigations Directorate, 4/6/2012.

### SIGAR Hotline

Of the 70 Hotline complaints received this quarter, most were received by email or telephone, as shown in Figure D.3. Of these complaints, most were closed or assigned to further investigation within SIGAR, as shown in Figure D.4.

FIGURE D.4

### STATUS OF SIGAR HOTLINE COMPLAINTS: JANUARY 1-MARCH 31, 2012



Source: SIGAR Investigations Directorate, 4/5/2012.

## APPENDIX E ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
4A	Assistance to Anti-Corruption Authority
A-TEMP	Afghanistan - Technical Equipment Maintenance Program
ABP	Afghan Border Police
ACSS	Afghanistan Civil Service Support
ACT	Anti-Corruption Tribunal (Afghan)
ACU	Anti-Corruption Unit (Afghan)
ADB	Asian Development Bank
AGO	Attorney General's Office (Afghan)
AIF	Afghanistan Infrastructure Fund
AIHRC	Afghan Independent Human Rights Commission
AIP	Afghanistan Infrastructure Program
ALP	Afghan Local Police
ANA	Afghan National Army
ANCOP	Afghan National Civil Order Police
ANP	Afghan National Police
ANSF	Afghan National Security Forces
APPF	Afghan Public Protection Force
APRP	Afghanistan Peace and Reintegration Program
ARD	Associates in Rural Development
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASOP	Afghanistan Social Outreach Program
AUP	Afghan Uniform Police
AWOL	absent without leave
C-JTSCC	CENTCOM Joint Theater Support Contracting Command
CAO	Control and Audit Office (Afghan)
CENTCOM	Central Command (U.S.)
CERP	Commander's Emergency Response Program
CFSOCC-A	Combined Forces Special Operations Component Command - Afghanistan
CJIATF-435	Combined Joint Inter-agency Task Force-435
CM	Capability Milestone
CNPA	Counter-Narcotics Police of Afghanistan
CNPCIW	China National Petroleum Corporation International-Watan
COR	contracting officer's representative
CPC	Criminal Procedure Code
CPD	Central Prison Directorate
CSSP	Correctional System Support Program
CSTC-A	Combined Security Transition Command - Afghanistan
CTA	Central Transfer Account

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ACRONYM OR ABBREVIATION	DEFINITION
CUAT	Commander's Unit Assessment Tool
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Breshna Sherkat
DAI	Development Alternatives Inc.
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DEA	Drug Enforcement Administration (U.S.)
DFAS	Defense Financing and Accounting Service (U.S.)
DFIP	Detention Facility in Parwan
DoD	Department of Defense (U.S.)
DoD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DoD OIG	Department of Defense Office of Inspector General (U.S.)
DoJ	Department of Justice (U.S.)
DoS	Department of State (U.S.)
DoS OIG	DoS Office of Inspector General (U.S.)
DST	Development Support Team
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
ESF	Economic Support Fund
ETDB	Economic Cooperation Organization Trade and Development Bank
FAA	Federal Aviation Administration (U.S.)
FBI	Federal Bureau of Investigation (U.S.)
FinTRACA	Financial Transactions and Reports Analysis Center
FMS	Foreign Military Sales
FY	fiscal year
GAO	Government Accountability Office (U.S.)
GDP	gross domestic product
HMMWV	high-mobility, multi-purpose, wheeled vehicle
HOO	High Office of Oversight (Afghan)
HRW	Human Rights Watch
HSSB	Headquarters Security and Support Brigade
IARCSC	Independent Administrative Reform and Civil Service Commission (Afghan)
ICAO	International Civil Aviation Organization
ICCTF	International Contract Corruption Task Force
ICMS	Investigative Case Management System
IDLG	Independent Directorate of Local Governance
IDP	internally displaced person
IG	Inspector General
IG Act	IG Act of 1978
IJC	International Security Assistance Force Joint Command
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement (U.S.)
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)

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ACRONYM OR ABBREVIATION	DEFINITION
IRD	International Relief and Development, Inc.
ISAF	International Security Assistance Force
IWPR	Institute for War and Peace Reporting
JSSP	Justice Sector Support Program
KCI	Kabul City Initiative
KHPP	Kandahar Helmand Power Project
LGCD	Local Governance and Community Development
LOTFA	Law and Order Trust Fund for Afghanistan
MAIL	Ministry of Agriculture, Irrigation, and Livestock (Afghan)
MCIT	Ministry of Communications & Information Technology (Afghan)
MCTF	Major Crimes Task Force (Afghan)
MDB	multilateral development bank
MEC	Monitoring and Evaluation Committee
MoD	Ministry of Defense (Afghan)
MoF	Ministry of Finance (Afghan)
Mol	Ministry of Interior (Afghan)
MoJ	Ministry of Justice (Afghan)
MoM	Ministry of Mines (Afghan)
MOU	memorandum of understanding
MPU	Mines Protection Unit
NATO	North Atlantic Treaty Organization
NDAA	FY 2011 National Defense Authorization Act
NDS	National Directorate of Security (Afghan)
NEPS	North East Power System
NGO	non-governmental organization
NKB	New Kabul Bank
NTM-A	NATO Training Mission - Afghanistan
OCO	overseas contingency operations
OIG	Office of Inspector General
PEC	Presidential Executive Commission
PJST	Provincial Joint Secretariat Team
PM/WRA	Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement (U.S.)
PPP	purchasing power parity
PRT	Provincial Reconstruction Team
PSC	private security contractor
PTEC	Power Transmission Expansion and Connectivity Program
RAMP UP	Afghan Municipalities Program for Urban Populations
RC	Regional Command
RC Window	Recurrent Cost Window
RMC	risk management company
SCC	Special Cases Committee (Afghan)
SEPS	South East Power System
SIGAR	Special Inspector General for Afghanistan Reconstruction

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ACRONYM OR ABBREVIATION	DEFINITION
SY	solar year
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TB	tuberculosis
TFBSO	Task Force for Business and Stability Operations
Treasury	Department of the Treasury (U.S.)
UN	United Nations
UNAMA	UN Assistance Mission in Afghanistan
UNCAC	UN Convention Against Corruption
UNDP	UN Development Programme
UNESCO	UN Educational, Scientific, and Cultural Organization
UNHCR	UN High Commissioner for Refugees
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of Inspector General
USFOR-A	U.S. Forces - Afghanistan
VSO	Village Stability Operations
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

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*Afghans gather at the Sakhi Shrine in Kabul on March 20 to celebrate Nowruz, the Afghan new year. Once banned by the Taliban, Nowruz marks the spring equinox and the beginning of the Afghan solar year. (© AFP 2012, Massoud Hossaini)*

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